

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



City of Key West, Florida

Fiscal Year Ended September 30, 2013

*Cover: Courtesy of Alyson Crean –  
City of Key West Public Information Officer*

**THE CITY OF KEY WEST, FLORIDA**  
**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**September 30, 2013**

Prepared by:

Department of Finance



**CITY OF KEY WEST, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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## **INTRODUCTORY SECTION**





## THE CITY OF KEY WEST

Post Office Box 1409  
Key West, FL 33041-1409  
KeyWestCity.com

March 28, 2014

Honorable Mayor,  
Members of the City Commission, and  
Citizens of Key West

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Key West, Florida, for the Fiscal Year ended September 30, 2013, is submitted herewith pursuant to the City Charter, Florida Statute Chapter 166.241(4), and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. The comprehensive annual financial report was compiled by Finance Department staff with the close cooperation of the independent auditors. It represents the official report of the City's financial operations and condition to the citizens, City Commission, management personnel of the City, rating agencies, and other interested parties.

Responsibility for both the accuracy of the presented data as well as the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material respects, that the data is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

State statutes require an annual audit by independent certified public accountants. The City of Key West's financial statements have been audited by the independent certified public accounting firm of Keefe, McCullough & Co., LLP., CPA's and they have issued an unmodified opinion on the financial statements for the Fiscal Year ended September 30, 2013.

Generally accepted accounting principles (GAAP) require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Key West's MD&A can be found immediately following the report of the independent auditors.

## **Financial Reporting Entity**

This report includes all funds of the City. The City of Key West provides a full range of services outlined in the Florida Statutes or City Charter. These services include police and fire protection, the construction and maintenance of roads and infrastructure, recreational activities, planning, building and zoning. In addition to its general government activities, the City provides sewer, sanitation, stormwater, marina, parking and mass transit services through enterprise funds.

The City has ultimate responsibility for the Police Officers and Firefighters Retirement Plan and the General Employees Retirement Plan. The Police Officers' and Firefighters' and General Employees' Pension Plan activities are included in the financial statements as fiduciary funds.

The City does not have financial responsibility for The Housing Authority of the City of Key West, Florida; however, the City does appoint board members, provides approximately \$ 486,000 annually in free sewer, sanitation and stormwater services, and provides certain debt guarantees, which as a whole constitutes a financial benefit/burden relationship. Given the overall materiality of the financial benefit/burden, the City has included the Housing Authority as a discretely presented component unit herein.

Keys Energy Services has not met the established criteria for inclusion in the reporting entity and is excluded from this report. Financial reports are available directly from that agency.

## **Overall Financial Condition**

The City of Key West is a two by four mile island located at the southernmost tip of Florida and the continental United States. Tourism is the primary industry throughout all of the Keys which comprise most of inhabited Monroe County. As evidenced below, the tourism industry continues to demonstrate a solid recovery from the "troubled" years of 2007 through 2009.

The hotel bed tax collected in Key West increased by 7% over that of the previous fiscal year, ending up at \$ 15,730,000, almost double the annual collections the years of 2004 through 2007. Monroe County sales tax data reflects retail taxable sales in the amount of \$ 2,854,600,000 for Fiscal Year 2013 as compared to \$ 2,720,600,000 from the previous year, again evidence of a much improved local economy.

Tourists arriving at Key West International Airport for the current fiscal year numbered 380,300, compared to 360,400 for the prior period, up 5% and the highest annual arrival numbers ever recorded. Daily cruise ship passengers have a significant impact on the downtown business sector. Cruise ship passengers have been declining since 2003 for a couple of reasons. A weak economy in 2007-2009 and recently emerging markets in Europe and Australia have caused cruise lines to divert ships away from Caribbean routes thus bypassing Key West. The number of passengers has declined from approximately 832,900 passengers in 2012 to approximately 734,300 in 2013, a 12% decline.

Most community leaders agree that tourism is the current and future foundation of the local economy. City user fees, sales tax revenue, gas tax proceeds, parking revenues and cruise ship disembarkation fees continue to provide a significant portion of City government's revenue base. If Key West remains a desirable tourist destination, the revenue base will remain strong.

Past declines in tourist volumes and the effects of an overall sluggish economy appear to be over in the City of Key West. Most major tourism based revenues started to rebound in fiscal year 2010 and have continued over the last three years. As previously noted, tourism statistics point to continued growth and an improving economy.

The City began its Fiscal Year 2013 budget process in the middle of the 2012 Fiscal Year, a time when most of its major revenue sources were showing signs of improvement and were exceeding expectations. This apparent turnaround in the local economy set the stage for the 2013 budget.

The following factors affected the development of the Fiscal Year 2012-13 budget:

- Property values have declined over the past five years for a total of 24%. The current year values were stable, which one hopes would signal a stabilization of property tax assessment.
- It appears that the economy has continued to turn around and revenues are showing a recovery. Shared state revenues are improving; with an increase in sales tax of approximately \$ 585,000.
- Building permit fees have recovered from their 2009 low of \$ 958,000. A rebound in 2013 to approximately \$ 1,700,000 was met with a budget growth of \$ 275,000 into 2014.
- Charges for services also showed increasing growth in the 2013 budget year with the majority of the approximately \$ 260,000 budgeted 2013 increase coming from parking. Over the past three years, the City has continued to add parking pay stations to replace its aging meter head change machines. Each pay station replaces 10 to 20 meter heads, depending upon the city block. Pay stations accept both change and credit cards and this combination appears to be working extremely well, as consumers that may or may not have sufficient change to pay the old meters are now using their credit cards to pay for parking and avoid the possibility of receiving a parking ticket. The City Commission also, voted to raise parking fees from \$ 1.75 an hour to \$ 2.00 an hour.
- The City's three employee bargaining units were in contract negotiations at the start of the budget process. Approximately \$ 200,000 was budgeted in salary contingency to cover additional anticipated personnel expenses.
- A significant cost in the budget is the rent that is required for the City administrative office space. With the pending construction of the new City administration building, the City was required to rent administrative office space for its staff. The cost of the rent is approximately \$ 500,000 annually.
- Included in the expenditures, the City allocated approximately \$ 400,000 for the hiring of nine community services employees and equipment solely dedicated to the cleaning and maintaining of the City's right of way.

After these and other adjustments were made, the City was able to balance the budget at 2% above the "roll back" in ad valorem tax. The General Fund budget for the fiscal year 2013 was 3.2% above the original adopted budget for 2012.

As you will see in the financial sections, the operating results for 2013 were positive. The General Fund change in the fund balance was approximately \$ 2,020,000, a positive indication of a successful fiscal year and double the change in fund balance from fiscal year 2012.

First quarter performance for Fiscal Year 2014 is tracking well within established budgetary numbers. Tourism-dependent revenues appear to be trending upward. The City is hopeful this trend will continue throughout the 2014 fiscal year.

### **Financial Planning and Budgeting Controls**

The City also maintains strict budgetary controls. The objective of these budgetary controls is to ensure compliance with Florida Statute Section 166.24(3) provisions embodied in the annual appropriated budget approved by the City Commission. Annual appropriated budgets are adopted for all governmental and proprietary funds except as noted below. These budgets are adopted on generally accepted accounting principles basis, as applicable. This program is readopted annually based on changes in priority and funding. The City is not legally required to, and does not adopt budgets for the Community Development Office Fund and the Pension Funds.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established under City of Key West Ordinance 1.261 at the major category level; i.e., Personal Services, Operating, Capital, Debt Service, Aids to Private Organizations, and Transfers. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts expire at year-end but are reappropriated from carryforward amounts only if the amounts encumbered are material and the current year's budget is insufficient to absorb these commitments.

### **Relevant Financial Policies**

The City of Key West budgetary and financial policies provide the basic framework for the overall fiscal management of the City. The main policies consist of the revenue, cash management and investments, debt, and fund balance policies. These policies are used in the development of current activities and planning for future programs.

#### **Revenue Policy**

The City will attempt to maintain a diversified and stable revenue system to avoid reliance on any one revenue source and will attempt to minimize the dependence on property taxes. Charges for services are used to recover partial or full cost of providing services that benefit individual users. Additionally, it is the City's policy that new ongoing operating costs are funded with permanent, ongoing revenue sources. One time operating costs are tied to one-time revenue sources to ensure fund balance integrity.

#### **Cash Management and Investments Policy**

The City follows its adopted investment policy when handling public funds. The intent of this policy is to 1) ensure the preservation of principal, 2) maintain sufficient cash flow to enable the City to meet its obligations, and 3) maximize the return on assets with an acceptably low exposure to risk. The investment policy meets the requirements of Florida Statutes, section 218.415.

Cash temporarily idle during the year was primarily invested in Federal agency issues, non-negotiable certificate of deposits, commercial paper, the state investment pool, and the City's bank deposit account. The maturities of the investments range from one to five years, with an average maturity of 1.7 years.

### Debt Policy

The City seeks to maintain the highest bond rating to minimize borrowing costs. Debt is issued when necessary to finance capital projects, but is never used for current operations. The City reviews and evaluates its existing obligations and future borrowing needs regularly.

### Fund Balances

In 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for its governmental activities. GASB Statement No. 54 establishes various classifications of fund balance based on a hierarchy which details constraints placed on the uses of resources by creditors, grantors, contributors, laws or regulations of other governments and those internally imposed. Fund balances classified as restricted are those with externally enforceable limitations in use. Fund balances classified as committed can only be used for specific purposes determined by formal action of the City Commission through an ordinance. Commitments can only be changed or lifted only by the City Commission through an ordinance. Assigned fund balances are amounts that the City intends to use for a specific purpose but are neither restricted nor committed. The intent to utilize these funds may be delegated to the City Manager, at the City Commission's discretion, through resolution. Unassigned fund balance can be viewed as the net resources available at the end of the year.

### **Major Initiatives**

One of the significant initiatives funded in Fiscal Year 2014 was fully funding the construction of a new City Hall and Fire Station #2. For several years, the City has been transferring infrastructure surtax proceeds to cover the capital cost of replacing the aging City buildings. Construction of these projects finally began in 2013. During the 2014 budget, additional funds were budgeted to cover the total estimated project cost. \$ 1,200,000 was budgeted to the fire station and approximately \$ 4,700,000 was budgeted to the new City Hall.

The City's Department of Transportation is located in a building that is undersized and in poor condition. The 2014 budget includes additional funding of \$ 2,000,000 for the construction of a new transit facility with administrative offices, fueling, washing and maintenance facilities. Total budget for the facility is approximately \$ 9,000,000 with close to 100% of project being paid for with Federal Transit Administration and Florida Department of Transportation grants.

### **Certificate of Achievement Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Key West for its comprehensive annual financial report for the Fiscal Year ended September 30, 2012. This was the twenty-seventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

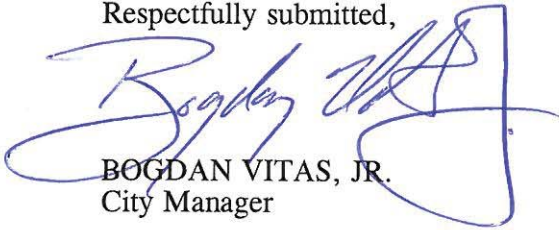


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for certification.

#### Acknowledgments

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our sincere appreciation to all members of the department who assisted in and contributed to its preparation. We would also like to thank the members of the City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible, progressive manner.

Respectfully submitted,



BOGDAN VITAS, JR.  
City Manager



NANCY S. KIELMAN  
Finance Director





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Key West  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO

# CITY OF KEY WEST, FLORIDA

## List of Principal Officials

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### Elected Officials

Mayor	Craig Cates
Commissioner	Jimmy Weekley
Commissioner	Mark Rossi
Commissioner	Billy Wardlow
Commissioner	Tony Yaniz
Commissioner	Teri Johnston
Commissioner	Clayton Lopez

### Appointed Officials

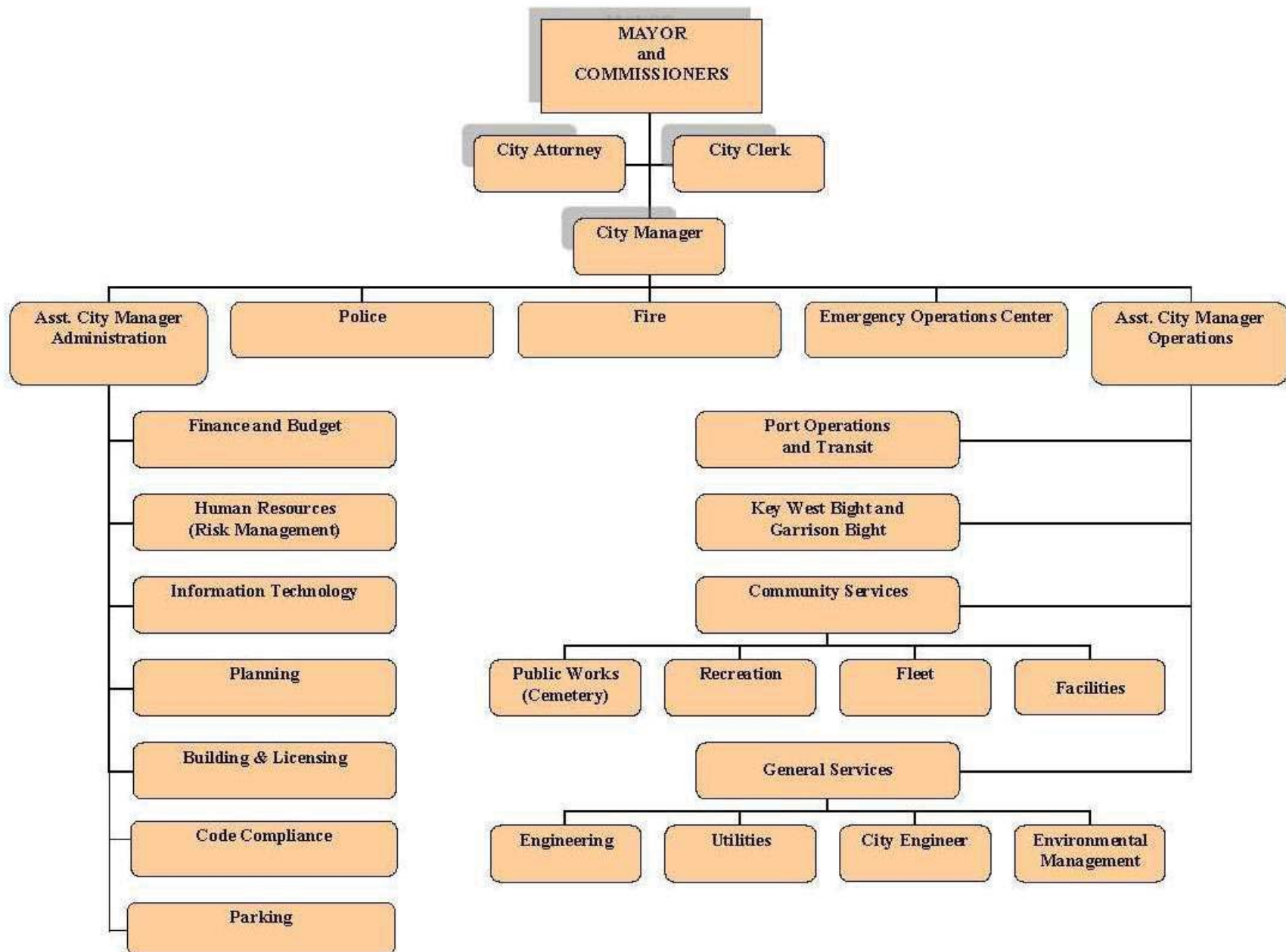
City Manager	Bogdan Vitas, Jr.
City Clerk	Cheri Smith
City Attorney	Shawn Smith

### Department Directors

Assistant City Manager – Administration	Vacant
Assistant City Manager – Community Operations	E. David Fernandez
Building and Licensing	Ronald Wampler
Police Chief	Donald J. Lee, Jr.
Community Services	Greg Veliz
General Services	James Bouquet
Finance and Budget	Nancy S. Kielman
Fire Chief	David Fraga
Human Resources	Samantha Farist
Management Information Systems	Patti McLauchlin
Planning	Donald Craig
Port and Marina Operations	Doug Bradshaw
Transportation	Norman Whitaker
Code Compliance	Jim Young

# CITY OF KEY WEST, FLORIDA

FISCAL YEAR 2012-2013



## **CITY OF KEY WEST, FLORIDA**

### ***VISION***

*A tropical island with unique community character in harmony with the diversity of its people and with its environment.*

### ***MISSION***

*To preserve and protect our island.*

## **FINANCIAL SECTION**





## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,  
City Commissioners and City Manager  
City of Key West, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Key West, Florida (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pension Trust Fund for Police Officers and Firefighters, which represent 62%, 60%, and 67%, respectively, of the assets, net position, and total additions of the Fiduciary Funds. Also, we did not audit the financial statements of The Housing Authority of the City of Key West, Florida, which is the sole discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Fund for Police Officers and Firefighters and The Housing Authority of the City of Key West, Florida, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Pension Trust Fund for Police Officers and Firefighters were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Key West, Florida, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Gas Tax Fund – a major special revenue fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the analysis of funding progress on pages 4 through 14 and 80 through 82, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Key West, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining and individual nonmajor fund financial statements and schedules and the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



City of Key West, Florida

**Other Reports Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of the City of Key West, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Key West, Florida's internal control over financial reporting and compliance.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
March 28, 2014



**CITY OF KEY WEST, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2013**

On behalf of the City of Key West, Florida, management presents, to the readers of the City's financial statements, this narrative overview and analysis of financial activities for the Fiscal Year ending September 30, 2013. We are offering this discussion and analysis in order to provide the reader with a better understanding of the City's overall financial position. This should be considered in conjunction with the additional information in the transmittal letter on page i and the City's financial statements which begin on page 15.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of Fiscal Year 2013 by \$ 309,443,006 (net position). Of this amount, \$ 55,062,174 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased \$ 20,969,307, which was mainly due to the sale and contribution of general capital assets during the current period.
- At the close of the current fiscal year, the City's governmental funds reported a combined fund balances of \$ 60,694,233, an increase of \$ 7,248,805 in comparison with the prior year. Approximately 17% of this amount (\$ 10,517,782) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of committed, assigned and unassigned components of fund balance) for the general fund was \$ 12,616,311, or approximately 32% of total general fund expenditures.
- The City's total outstanding long term debt decreased by \$ 3,186,678 during the current fiscal year. The decrease can be partly attributed to the refunding of old debt and issuance of new debt at a lower interest rate.

**Overview of the Financial Statements**

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Reporting the City as a Whole**

Our analysis of the City as a whole begins on page 15. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the activities during Fiscal Year 2012-13?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**CITY OF KEY WEST, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2013**

These two statements report the City's net position and changes in them. The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. However, it is also important to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

Based upon a review of these statements and in the following discussion, you will see that the City's overall financial position has improved over the prior fiscal year.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities:** Most of the City's basic services are reported here, including the police, fire, public works and parks departments, as well as, general administration. Property and other intergovernmental taxes, charges for services, and state and federal grants finance most of these activities.
- **Business-type activities:** The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's sewer, stormwater, solid waste and transit systems, as well as, City marina facilities, are reported here.
- **Component units:** The City includes one separate legal entity in its report: The Housing Authority of the City of Key West, Florida ("KWH"). The KWH's board has full administrative responsibilities. The City provides free sewer, stormwater, and solid waste services to the KWH and is responsible to refund withdrawals from certain debt service accounts of the KWH, as more fully described in Note 12 of this report. KWH is considered a component unit of the City and is presented discretely in these financial statements.

### **Reporting the City's Most Significant Funds**

The fund financial statements for each City fund begin on page 19 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law and/or by bond covenants. However, the City Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two types of funds (governmental and proprietary) use different accounting approaches.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation on the pages immediately following the governmental fund statements.

**CITY OF KEY WEST, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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- **Proprietary funds:** When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use an internal service fund (the other component of proprietary funds) to report the City's insurance activity, which provides a service to the City's other programs and activities.

### The City as Trustee

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of trust arrangements, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Net Position and Changes in Net Position - Fiduciary Funds on pages 37 and 38. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The City as a Whole

The City's combined net position increased from \$ 288,473,699 to \$ 309,443,006. Governmental activities increased \$ 18,153,692. Most of this increase is the result of a sale of capital assets by the City and the donation of another capital asset to the City. Business type activities increased \$ 2,815,615 of which \$ 2,231,607 was the result of operations in the Key West Bight Fund.

Total net position is comprised of \$ 214,386,061 net investment in capital assets, \$ 39,994,771 restricted for capital projects, transportation, housing initiatives and other purposes, and \$ 55,062,174 in unrestricted funds. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the City's governmental and business-type activities.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 13	FY 12	FY 13	FY 12	FY 13	FY 12
Current and other assets	\$ 80,102,494	\$ 74,762,709	\$ 33,928,878	\$ 33,550,021	\$ 114,031,372	\$ 108,312,730
Capital assets	98,927,430	88,024,379	148,082,957	149,179,555	247,010,387	237,203,934
Total assets	179,029,924	162,787,088	182,011,835	182,729,576	361,041,759	345,516,664
Total deferred outflows of resources	-	-	476,204	676,794	476,204	676,794
Long-term debt outstanding	731,462	878,521	31,164,897	34,204,516	31,896,359	35,083,037
Other liabilities	14,379,001	16,142,798	5,799,597	6,493,924	20,178,598	22,636,722
Total liabilities	15,110,463	17,021,319	36,964,494	40,698,440	52,074,957	57,719,759
Net position:						
Net investment in capital assets	98,927,430	88,024,379	115,458,631	113,117,922	214,386,061	201,142,301
Restricted	39,405,714	41,327,816	589,057	4,361,786	39,994,771	45,689,602
Unrestricted	25,586,317	16,413,574	29,475,857	25,228,222	55,062,174	41,641,796
Total net position	\$ 163,919,461	\$ 145,765,769	\$ 145,523,545	\$ 142,707,930	\$ 309,443,006	\$ 288,473,699

**CITY OF KEY WEST, FLORIDA**  
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**Governmental Activities – Net Position**

The \$ 163,919,461 in net position of the City's governmental activities is comprised of \$ 98,927,430 net investment in capital assets, \$ 39,405,714 in restricted assets and \$ 25,586,317 in unrestricted net position, which is the part of net position that can be used to finance day-to-day operations of the General Fund and other governmental activities.

The invested in capital assets increased from the previous year by \$ 10,903,051. This is primarily the result of new additions/disposals of \$ 14,803,399 netted against current year depreciation of \$ 3,900,348.

Restricted net position of \$ 39,405,714 is restricted to comply with the requirements of the special revenue funds or other legal requirements. This was a decrease of \$ 1,922,102 from the previous year. The decrease can be attributed mainly to capital projects that used restricted funding.

Unrestricted net position increased by \$ 9,172,743. The sale of capital assets by the City and donation of real estate property to the City was the primary factor for the increase.

**Business-Type Activities – Net Position**

The \$ 145,523,545 in net position of the City's business type activities is comprised of \$ 115,458,631 net investment in capital assets, \$ 589,057 in restricted assets and \$ 29,475,857 in unrestricted net position. This is an increase of 2.0% in net position.

The net investment in capital assets increased from the previous year by \$ 2,340,709. This is primarily the result of new additions of \$ 6,997,156 netted against current year depreciation of \$ 8,113,011 and repayment of debt. Restricted net position of \$ 589,057 is restricted to comply with the requirements of the sewer bond issues and the requirement of Florida Department of Environmental Protection as it relates to the closure of the landfill. Unrestricted net position increased \$ 4,247,635. The increase in unrestricted net position was the result of the refunding of the Sewer System Refunding Revenue Bonds, Series 2003 with the Sewer System Refunding Revenue Bonds, Series 2013. The Series 2013 bonds have fewer restrictions than the Series 2003 bonds and the difference shifted to the unrestricted balance.

**Table 2**  
**Change in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>FY 13</b>	<b>FY 12</b>	<b>FY 13</b>	<b>FY 12</b>	<b>FY 13</b>	<b>FY 12</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 12,807,445	\$ 12,118,961	\$ 33,873,323	\$ 32,791,159	\$ 46,680,768	\$ 44,910,120
Operating grants and contributions	2,041,336	3,970,832	1,124,015	1,274,318	3,165,351	5,245,150
Capital grants and contributions	2,679,566	3,595,970	2,518,137	1,435,875	5,197,703	5,031,845
General Revenues:						
Taxes: property and other	31,536,675	30,402,111	-	-	31,536,675	30,402,111
Intergovernmental	115,773	775,924	-	-	115,773	775,924
Investment earnings	197,474	437,365	164,530	240,920	362,004	678,285
Other revenues	16,830,308	868,011	410,245	254,230	17,240,553	1,122,241
Total revenues	<u>66,208,577</u>	<u>52,169,174</u>	<u>38,090,250</u>	<u>35,996,502</u>	<u>104,298,827</u>	<u>88,165,676</u>

**CITY OF KEY WEST, FLORIDA**  
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**September 30, 2013**

**Table 2**  
**Change in Net Position**  
**(continued)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>FY 13</b>	<b>FY 12</b>	<b>FY 13</b>	<b>FY 12</b>	<b>FY 13</b>	<b>FY 12</b>
<b>Program Expenses:</b>						
General government	16,695,883	15,550,150	-	-	16,695,883	15,550,150
Public safety	22,692,140	22,859,420	-	-	22,692,140	22,859,420
Transportation	7,770,432	5,339,267	-	-	7,770,432	5,339,267
Economic environment	1,783,418	3,762,187	-	-	1,783,418	3,762,187
Culture and recreation	2,567,164	2,599,679	-	-	2,567,164	2,599,679
Human services	488,292	398,751	-	-	488,292	398,751
Sanitary Sewer System	-	-	11,404,296	10,710,125	11,404,296	10,710,125
Solid Waste	-	-	8,753,377	7,268,169	8,753,377	7,268,169
Stormwater	-	-	2,754,858	2,534,695	2,754,858	2,534,695
Marinas (Key West and Garrison Bight)	-	-	5,687,626	5,833,344	5,687,626	5,833,344
Transit	-	-	2,732,034	2,562,738	2,732,034	2,562,738
<b>Total expenses</b>	<b>51,997,329</b>	<b>50,509,454</b>	<b>31,332,191</b>	<b>28,909,071</b>	<b>83,329,520</b>	<b>79,418,525</b>
Excess before transfers	14,211,248	1,659,720	6,758,059	7,087,431	20,969,307	8,747,151
Transfers (net)	3,942,444	3,725,740	(3,942,444)	(3,725,740)	-	-
<b>Change in position</b>	<b>\$ 18,153,692</b>	<b>\$ 5,385,460</b>	<b>\$ 2,815,615</b>	<b>\$ 3,361,691</b>	<b>\$ 20,969,307</b>	<b>\$ 8,747,151</b>

The City's total revenues reported are \$ 104,298,827, which in part represents \$ 46,680,768 in charges for services and \$ 31,536,675 in property and other taxes. Total operating expenses of \$ 83,329,520 are reported. As shown above, revenues and expenses have increased for the year. The major areas that expenses increased were in capital projects and transportation related to the Navy and the outer mole pier rehabilitation.

**Governmental Activities – Change in Net Position**

Total revenues for the City's governmental activities of \$ 66,208,577 include \$ 12,807,445 in fees, fines and charges for services, as well as, \$ 31,536,675 in property, state shared and local taxes.

For the year, the City's governmental revenues increased \$ 14,039,403 or a 26.9% increase. The increase is mainly due to the sale of capital assets by the City and contribution of donated capital asset to the City which is included in the other revenue increase of \$ 15,962,297 from the prior year.

Another item of note is the decrease \$ 2,845,900 in combined grants and contributions. This is mainly due to the completion of various grants that the City has had in previous years.

The cost of all governmental activities this year was \$ 51,977,329. However, as shown in the Statement of Activities on page 17, the amount that our taxpayers ultimately financed for these activities, through City ad valorem taxes, was \$ 15,126,523. This is because \$ 12,807,445 of the cost was paid for by those who directly benefited from the programs as well as other governments and organizations that subsidized certain programs with grants and contributions, providing \$ 4,720,902. The City paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.



**CITY OF KEY WEST, FLORIDA**  
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Table 3 presents the cost of each of the City's five largest programs: general government, public safety, culture and recreation, transportation, and economic environment as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. As you can see, the only profit-making program is transportation due to the inclusion of cruise-ship and parking revenues.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net (Cost) Profit of Services	
	FY 13	FY 12	FY 13	FY 12
General government	\$ 16,695,883	\$ 15,550,150	\$ (13,974,701)	\$ (12,699,837)
Public safety	22,692,140	22,859,420	(19,243,520)	(20,101,223)
Culture and recreation	2,567,164	2,599,679	(1,556,020)	(1,939,412)
Transportation	7,770,432	5,339,267	1,154,324	4,705,986
Economic environment	1,783,418	3,762,187	(360,773)	(414,931)
All others	488,292	398,751	(488,292)	(374,274)
Totals	\$ <u>51,997,329</u>	\$ <u>50,509,454</u>	\$ <u>(34,468,982)</u>	\$ <u>(30,823,691)</u>

**Business-Type Activities – Changes in Net Position**

Revenues of the City's business-type activities (see Table 2) increased by 5.8% (\$ 35,996,502 in 2012 compared to \$ 38,090,250 in 2013). The majority of this increase is the result of an increase of \$ 1,082,262 in capital grants. The majority of this increase in capital grants can be attributed to the Stormwater Fund where grant revenue increased by \$ 817,850 due to the ongoing Florida Division of Emergency Management funded projects. Charges for services also increased from the prior fiscal year by \$ 1,082,164. A major contributor is the combined increase of \$ 841,088 from the Sanitary Sewer System Fund and the Solid Waste Fund. The increase is attributable to better collections than in previous year.

**Financial Analysis of the City's Funds**

As stated previously, the City of Key West uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of September 30, 2013, the City's governmental funds reported combined fund balances of \$ 60,694,233, which is an increase of \$ 7,248,805 in comparison with the prior fiscal year. This substantial increase can be attributed to the increase in the Capital Projects Fund as described previously.



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The General Fund is the chief operating fund of the City. As of September 30, 2013, the unassigned fund balance account in the General Fund was \$11,295,527, an increase of \$1,093,088 from the previous year. The current year's increase in unassigned fund balance is greater than the prior year's increase of \$941,999. This unassigned fund balance amount represents 28% of the 2013 General Fund budgeted expenditures, excluding capital outlay. This put the unassigned fund balance above the City's fund balance policy of between 20% and 25% of budgeted expenditures.

Total General Fund expenditures remained basically the same as the previous year, total revenues, including the sale of general capital assets, increased \$8,841,027, or 25.1%. This increase is due to the sale of City capital assets discussed earlier, for which funds were transferred to the Capital Projects Fund.

The Community Development Office Fund revenues decreased by \$1,836,684 and expenditures decreased by \$1,894,710 from the prior fiscal year. The decreases are due to the completion of grant related projects.

The Gas Tax Fund's revenues and expenditures decreased by \$1,275,206 and \$344,393, respectively. The decreases are due to grant related capital projects that have been completed.

Total Infrastructure Surtax Fund revenues increased by \$324,019, with the majority of the increase coming from the discretionary sales surtax. Total expenditures increased \$1,698,008 as there was an increase in various capital projects, previously deferred by the City.

The Capital Projects Fund had an increase in fund balance of \$6,856,852. The increase was mainly due to the transfer of \$7,500,000 it received from the General Fund after the sale of the City's capital asset.

**Proprietary funds.** The City of Key West proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of proprietary funds at year-end are as follows:

<b>Fund</b>	<b>Unrestricted Net Position (Deficit)</b>	
	<b>FY 13</b>	<b>FY 12</b>
Sanitary Sewer System	\$ 11,712,224	\$ 7,189,607
Solid Waste	8,290,143	8,270,852
Stormwater	(2,119,469)	(2,123,476)
Key West Bight	10,323,693	9,408,761
Garrison Bight	773,874	1,833,288
Transit System	495,392	649,190
	<u>\$ 29,475,857</u>	<u>\$ 25,228,222</u>

For the year ending September 30, 2013, the Sanitary Sewer System Fund unrestricted net position increased by \$4,522,617. The majority of the increase in unrestricted net position was the result of the refunding of old debt with the issuance of the Sewer System Refunding Revenue Bonds, Series 2013. A decrease in restricted for debt service was the offsetting result.

While Solid Waste Fund unrestricted net position remained relatively the same as the prior year, total net position decreased by \$617,181. The decrease was mainly caused by an increase of \$1,485,208 in operating expenses from the prior year.

**CITY OF KEY WEST, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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The Stormwater Fund unrestricted net position (deficit) decreased by \$ 4,007; while net investment in capital assets, increased by \$ 1,606,091 mainly due to capital construction grants received from other agencies. Overall, Stormwater total net position increased by \$ 1,610,098.

The Key West Bight Fund had an increase in total net position of \$ 2,231,607. Operating results at the Bight have improved along with improving economic conditions.

**Fiscal Year 2012-13 General Fund Budgetary Highlights**

During the Fiscal Year 2013, the City made various budget amendments which were approved by the City Commission to maintain budget compliance within its major categories. As required by City code, all contracts and purchases in excess of \$ 20,000 were approved by the City Commission.

General Fund revenues fell short from budget in three categories: Charges for Services, Fines and Forfeitures and Investment Earnings; were all short of budgeted expectations.

General Fund revenues in total exceeded the budgeted amount by \$ 1,003,564. Taxes were \$ 442,444 more than budget and \$ 734,775 more than last year. Intergovernmental revenues were \$ 221,434 over budget. Half cent sales tax made up the difference with approximately \$ 300,000 collected over budget. Charges for Services are down from budget \$ 221,343. The decrease came in part from cruise ship revenues, which were approximately \$ 136,000 under budget. The other contributor is parking revenues. Although actual parking revenues continue to climb, revenues did not meet projected budget by approximately \$ 65,000. Fines and Forfeitures were under budget by \$ 102,055. The majority of this decline is attributable to a decrease in parking fines, approximately \$ 112,000. The City has installed 69 parking pay stations over the last few years and removed the old coin operated meters. The new pay stations take both coins and debit/credit cards where the old meters only took coins. Now, because it is much easier for the consumer to pay for parking, fine revenue has declined over the past three years while parking revenues increased.

Total General Fund expenditures were lower than the budget by \$ 1,599,642. Personal Services were \$ 217,431 under budget. The savings can be mainly attributed to the Police Department. Savings of approximately \$ 168,000 were due to vacant police positions. The other savings were made up of vacancies across numerous departments. The operating expenditures budget had a positive variance of \$ 1,125,516 which was made up of a number of positive variances throughout the category. Some of the more significant variances were savings in professional services from the planning department - delays in finishing plan amendments resulted in a positive variance of approximately \$ 190,000. Postponement and lower than anticipated cost for repairs and maintenance performed by the Facilities Maintenance department resulted in savings of approximately \$ 206,000. While the decline in cruise ship passengers has a negative effect on revenue it had a positive effect on expenditures. A savings of approximately \$ 224,000 was realized in transportation and security costs as it is related to the decline in number of passengers disembarking.

**CITY OF KEY WEST, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2013**

**Capital Assets**

At the end of Fiscal Year 2013, the City had \$ 247,010,387 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 4 below).

**Table 4**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 13	FY 12	FY 13	FY 12	FY 13	FY 12
Land	\$ 55,899,880	\$ 53,186,804	\$ 18,681,034	\$ 18,681,034	\$ 74,580,914	\$ 71,867,838
Buildings and improvements	18,044,615	13,950,991	45,797,340	48,571,007	63,841,955	62,521,998
Machinery, equipment and furniture	20,856,780	19,087,529	16,916,312	17,210,390	37,773,092	36,297,919
Infrastructure	46,825,032	41,945,261	155,436,570	153,192,955	202,261,602	195,138,216
Construction in progress	3,235,608	4,343,478	9,478,650	6,784,399	12,714,258	11,127,877
Depreciation	(45,934,485)	(44,489,684)	(98,226,949)	(95,260,230)	(144,161,434)	(139,749,914)
Totals	\$ 98,927,430	\$ 88,024,379	\$ 148,082,957	\$ 149,179,555	\$ 247,010,387	\$ 237,203,934

This year's major additions included:

In the Governmental funds, major additions included approximately \$ 2,700,000 in sidewalk renovations and approximately \$ 1,900,000 in street projects. The Monroe County School Board contributed the Glynn Archer School, valued at approximately \$ 8,500,000. The City also invested over \$ 900,000 in police patrol cars and in-car equipment to replace some of its aging fleet.

In the Business-Type Activities:

- The Sanitary Sewer System Fund invested approximately \$ 134,000 to replace aging equipment.
- The Stormwater Fund incurred approximately \$ 1,400,000 in various projects, aimed at reducing flooding and standing water.
- The Key West Bight Fund funded approximately \$ 877,000 towards the completion of various ongoing projects at the marina.

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

**Debt Administration**

At year-end, the City had \$ 31,896,359 in bonds and notes outstanding, including unamortized losses on early retirement and premiums/discounts, as shown in Table 5:

**Table 5**  
**Outstanding Long Term Debt at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 13	FY 12	FY 13	FY 12	FY 13	FY 12
Promissory note	\$ 731,462	\$ 878,521	\$ 2,419,340	\$ 2,699,700	\$ 3,150,802	\$ 3,578,221
Revenue bonds and notes	-	-	28,745,557	31,504,816	28,745,557	31,504,816
Totals	\$ 731,462	\$ 878,521	\$ 31,164,897	\$ 34,204,516	\$ 31,896,359	\$ 35,083,037

**CITY OF KEY WEST, FLORIDA**  
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**September 30, 2013**

In August 2013, the City closed on \$ 19,963,753 in Sewer System Refunding Revenue Bonds, Series 2013. The proceeds from these bonds were used, coupled with existing reserves, to refund the then outstanding 2003 Series Sewer System Refunding Revenue Bonds. The bonds are secured by a pledge of the net revenue of the Sanitary Sewer System Fund operating activities. The bonds mature October 1, 2026 and are payable semi-annually on April 1, and October 1. The bonds bear interest at a rate of 2.65%.

Other obligations include accrued vacation pay, sick leave and outstanding/estimated insurance claims. More detailed information about the City's long-term liabilities is presented in Note 12 to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

#### **Budget Preparation**

The following factors affected the development of the Fiscal Year 2013-14 budget, as revenues of the City appear to have stabilized and show signs of improvement.

Property values are showing signs of improvement with a 4.0% increase in 2014 over 2013 taxable value, but there continues to be very little growth in new construction.

Even with little growth in new construction, the building permit fee budget grew \$ 275,000 from 2013. Based on better than expected collections in 2013, the City was comfortable with the projected increase in revenue during 2014.

Charges for services had a slight decline in growth in the proposed 2014 budget year. A decrease in cruise ships of almost \$ 160,000 was a contributing factor. The City has continued to add parking pay stations to replace its aging meter head change machines. Each pay station replaces 10 to 20 meter heads, depending upon the city block. The ability to add new pay stations that will continue to produce the results as seen in the past has diminished. The remaining meter heads are scattered around the town and do not produce the same returns. Keeping in mind the stabilization of parking revenue and closure of one of the City lots due to construction, a \$ 100,000 reduction from prior year budget was recommended.

State shared revenues indicate growth in the economy. Anticipating continued economic improvement, the 2014 budget increased by approximately \$ 390,000.

On the expenditure side, several increases were expected. The City's healthcare provider proposed a 7% increase in annual premium to the City. This would have amounted to approximately a \$ 325,000 increase. Through plan changes and based on an improved loss history over the preceding twelve months, the City was able to reduce the increase down to 3.5%. This represented a slightly over \$ 161,000 increase to the General Fund health insurance premium costs. In order to meet the estimated police and fire pension contribution requirements, a budgeted increase of almost \$ 450,000 over that of fiscal year 2013 was necessary. A \$ 107,000 increase in operating expenses are attributed to a performance evaluation study and a classification and compensation study.

In keeping with the City's fund balance policy, the commission approved various one-time expenditures. These expenditures included \$ 250,000 for a new street sweeper, a transfer of \$ 208,000 to fund street paving and \$ 75,000 for a records management program.

**CITY OF KEY WEST, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2013**

The City Commission was committed to not raising taxes. To balance the budget and reach the "roll-back" rate in ad valorem tax, the commission authorized the use of two days', or approximately \$ 222,000, worth of General Fund reserves. The General Fund budget for fiscal year 2014 is 2.8% higher than the previous year.

**Economic Outlook**

The economy of Key West is improving. All tourism revenues, with the exception of cruise ships, have shown increases. Building permits are slowly recovering and parking is still strong. Cruise ship revenue continues to struggle, but a lot of that is being controlled by the cruise lines themselves in their marketing strategies.

As previously discussed in the transmittal letter, tourism statistics point to a recovering tourism economy. The hotel bed tax collected in Key West increased by 7% over that of the previous fiscal year, ending up at \$ 15,730,000, which is significantly higher than the previous year. Tourists arriving at Key West International Airport for the fiscal year numbered 380,300, compared to 360,400 – an increase of 5% and the highest total ever recorded. Local sales tax collection increased in 2013, with both the half cent sales and one cent sales tax recording growth.

The growth of tourism will not only help the local economy, but benefits the City directly. Many visitors drive down the scenic Overseas Highway from the mainland. Parking meters, parking fines, and parking lots account for almost 10% of the general fund revenue sources. Sales tax collections, gas tax collections and other state shared revenues will slowly begin to recover with the increase in tourism. In addition, the City leases many properties which rely on tourism. Many of these leases include rents based on sales volume that directly benefits the City as the sales of food, beverages and merchandise increase. Monroe County sales tax data reflects retail taxable sales in the amount of \$ 2,854,600,000 compared to \$ 2,720,600,000 from the previous year.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please visit the City's web site at [www.keywestcity.com](http://www.keywestcity.com) or by contacting the Finance Department, City of Key West, P.O. Box 1409, Key West, FL 33041.



## **BASIC FINANCIAL STATEMENTS**





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**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF NET POSITION**  
**September 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Current assets:				
Cash, cash equivalents, and investments	\$ 68,074,706	\$ 29,985,278	\$ 98,059,984	\$ 3,243,111
Cash, cash equivalents and investments (restricted)	-	833,220	833,220	2,778,898
Accounts receivable (net of allowances)	943,981	3,155,983	4,099,964	41,231
Interest receivable	-	-	-	116
Intergovernmental receivables	4,012,374	1,140,635	5,153,009	1,525,343
Inventories	10,399	696,374	706,773	65,840
Prepaid items and other assets	146,525	22,763	169,288	504,500
Mortgage notes receivable	24,631	-	24,631	-
Internal balances	1,905,375	(1,905,375)	-	-
Total current assets	75,117,991	33,928,878	109,046,869	8,159,039
Noncurrent assets:				
Net pension assets	3,633,324	-	3,633,324	-
Capital assets:				
Land	55,899,880	18,681,034	74,580,914	10,748,552
Buildings and improvements	18,044,615	45,797,340	63,841,955	64,905,781
Infrastructure	46,825,032	155,436,570	202,261,602	1,167,753
Machinery, equipment and furniture	20,856,780	16,916,312	37,773,092	1,296,144
Accumulated depreciation	(45,934,485)	(98,226,949)	(144,161,434)	(25,013,068)
Construction in progress	3,235,608	9,478,650	12,714,258	678,680
Other, including loans and mortgage notes receivable	1,351,179	-	1,351,179	750,943
Total noncurrent assets	103,911,933	148,082,957	251,994,890	54,534,785
Total assets	179,029,924	182,011,835	361,041,759	62,693,824
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunding	-	476,204	476,204	-
Total assets and deferred outflows of resources	\$ 179,029,924	\$ 182,488,039	\$ 361,517,963	\$ 62,693,824

The accompanying notes to financial statements are an integral part of these statements.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses	\$ 1,961,038	\$ 1,483,175	\$ 3,444,213	\$ 199,570
Accrued wages and benefits	1,258,261	152,288	1,410,549	-
Unearned revenue	1,164,129	834,554	1,998,683	-
Intergovernmental	242,418	-	242,418	420,514
Deposits	46,764	-	46,764	-
Insurance claims payable	1,749,404	-	1,749,404	-
Retainage payable	-	237,459	237,459	-
Due to fiduciary fund	-	-	-	78,657
Compensated absences	2,005,759	160,180	2,165,939	31,760
Accrued interest	-	138,591	138,591	280,943
Bonds and notes payable	147,059	1,935,633	2,082,692	1,002,538
Other	-	40,000	40,000	395,870
Total current liabilities	8,574,832	4,981,880	13,556,712	2,409,852
Noncurrent liabilities:				
Notes payable	731,462	2,419,340	3,150,802	6,977,401
Revenue bonds payable	-	28,745,557	28,745,557	23,929,868
Insurance claims payable	1,035,596	-	1,035,596	-
Landfill closure costs payable	-	63,333	63,333	-
Compensated absences	1,373,565	116,809	1,490,374	285,835
OPEB liability	2,278,190	198,936	2,477,126	92,410
Other	1,116,818	438,639	1,555,457	-
Total noncurrent liabilities	6,535,631	31,982,614	38,518,245	31,285,514
Total liabilities	15,110,463	36,964,494	52,074,957	33,695,366
NET POSITION:				
Net investment in capital assets	98,927,430	115,458,631	214,386,061	21,704,800
Restricted for:				
Infrastructure and capital projects	32,903,235	-	32,903,235	-
Debt service	-	484,520	484,520	-
Landfill closure	-	104,537	104,537	-
Transportation	1,721,612	-	1,721,612	-
Natural resources	743,685	-	743,685	-
Housing initiatives and urban redevelopment	3,761,775	-	3,761,775	1,047,562
Law enforcement	273,721	-	273,721	-
Art in public places	1,686	-	1,686	-
Unrestricted	25,586,317	29,475,857	55,062,174	6,246,096
Total net position	163,919,461	145,523,545	309,443,006	28,998,458
Total liabilities and net position	\$ 179,029,924	\$ 182,488,039	\$ 361,517,963	\$ 62,693,824

**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**For the Year ended September 30, 2013**

		Program Revenues		
Functions/Programs	Expenses	Fee, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 16,669,721	\$ 2,721,182	\$ -	\$ -
Public safety	22,692,140	2,733,281	172,621	542,718
Transportation	7,770,432	6,975,408	-	1,949,348
Economic environment	1,783,418	33,170	1,389,475	-
Culture and recreation	2,567,164	344,404	479,240	187,500
Human services	488,292	-	-	-
Interest and other fiscal charges	26,162	-	-	-
Total governmental activities	51,997,329	12,807,445	2,041,336	2,679,566
Business-Type Activities:				
Sanitary Sewer System	11,404,296	12,164,008	-	-
Solid Waste	8,753,377	9,503,129	-	-
Key West Bight	4,329,221	7,047,048	-	-
Stormwater	2,754,858	2,613,337	-	2,224,155
Garrison Bight	1,358,405	1,506,804	-	33,580
Transit System	2,732,034	1,038,997	1,124,015	260,402
Total business-type activities	31,332,191	33,873,323	1,124,015	2,518,137
Total primary government	\$ 83,329,520	\$ 46,680,768	\$ 3,165,351	\$ 5,197,703
COMPONENT UNIT:				
The Key West Housing Authority of of the City of Key West, Florida	\$ 12,817,412	\$ 7,267,467	\$ 3,949,550	\$ 830,362
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Communications taxes				
Local business tax				
Municipal revenue sharing gas and cigarette tax				
One cent sales tax				
Half cent sales tax				
Local option gas tax				
Intergovernmental income (unrestricted)				
Payment in lieu of tax				
Investment earnings				
Other, including sale of capital assets				
Donated capital asset				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
NET POSITION, October 1 (as restated, Note 16)				
NET POSITION, September 30				

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (13,948,539)	\$ -	\$ (13,948,539)	\$ -
(19,243,520)	-	(19,243,520)	-
1,154,324	-	1,154,324	-
(360,773)	-	(360,773)	-
(1,556,020)	-	(1,556,020)	-
(488,292)	-	(488,292)	-
(26,162)	-	(26,162)	-
<u>(34,468,982)</u>	<u>-</u>	<u>(34,468,982)</u>	<u>-</u>
-	759,712	759,712	-
-	749,752	749,752	-
-	2,717,827	2,717,827	-
-	2,082,634	2,082,634	-
-	181,979	181,979	-
-	(308,620)	(308,620)	-
<u>-</u>	<u>6,183,284</u>	<u>6,183,284</u>	<u>-</u>
<u>(34,468,982)</u>	<u>6,183,284</u>	<u>(28,285,698)</u>	<u>-</u>
			<u>(770,033)</u>
15,126,523	-	15,126,523	-
1,599,269	-	1,599,269	-
1,404,357	-	1,404,357	-
1,138,619	-	1,138,619	-
7,133,574	-	7,133,574	-
3,810,487	-	3,810,487	-
1,323,846	-	1,323,846	-
115,773	-	115,773	-
464,338	-	464,338	-
197,474	164,530	362,004	7,295
7,896,040	410,245	8,306,285	1,975,444
8,469,930	-	8,469,930	-
3,942,444	(3,942,444)	-	-
<u>52,622,674</u>	<u>(3,367,669)</u>	<u>49,255,005</u>	<u>1,982,739</u>
18,153,692	2,815,615	20,969,307	1,212,706
<u>145,765,769</u>	<u>142,707,930</u>	<u>288,473,699</u>	<u>27,785,752</u>
<u>\$ 163,919,461</u>	<u>\$ 145,523,545</u>	<u>\$ 309,443,006</u>	<u>\$ 28,998,458</u>

**CITY OF KEY WEST, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2013**

	<b>General Fund</b>	<b>Community Development Office Fund</b>	<b>Gas Tax Fund</b>
<b>ASSETS:</b>			
Cash, cash equivalents, and investments	\$ 13,942,536	\$ 419,963	\$ 2,653
Receivables (net of allowance for uncollectibles):			
Accounts	302,486	29	-
Intergovernmental	726,502	294,868	2,108,049
Mortgage notes	-	1,375,810	-
Interfund receivables	535,433	-	423
Inventories	10,399	-	-
Advances to other funds	1,910,786	-	-
Prepays	28,768	45,391	-
<b>Total assets</b>	<b>\$ 17,456,910</b>	<b>\$ 2,136,061</b>	<b>\$ 2,111,125</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 495,532	\$ 2,874	\$ 699,193
Accrued payroll	1,241,562	-	7,848
Due to other funds	-	-	500,000
Intergovernmental	81,329	161,089	-
Deposits	46,764	-	-
Unearned revenue	840,221	1,329,883	-
<b>Total liabilities</b>	<b>2,705,408</b>	<b>1,493,846</b>	<b>1,207,041</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue - grant funding	183,552	-	1,681,829
<b>Total deferred inflows of resources</b>	<b>183,552</b>	<b>-</b>	<b>1,681,829</b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventories	10,399	-	-
Long-term advances/notes	1,910,786	234,361	-
Prepays	28,768	45,391	-
Restricted for:			
Art in public places	1,686	-	-
Infrastructure and capital projects	-	-	-
Housing initiatives and urban redevelopment	-	362,463	-
Law enforcement	-	-	-
Transportation	-	-	-
Natural resources	-	-	-
Committed to:			
Infrastructure and capital projects	-	-	-
Art in public places	39,931	-	-
Culture and recreation	229,676	-	-
Assigned to:			
Subsequent year's budget	1,051,177	-	-
Unassigned	11,295,527	-	(777,745)
<b>Total fund balances</b>	<b>14,567,950</b>	<b>642,215</b>	<b>(777,745)</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 17,456,910</b>	<b>\$ 2,136,061</b>	<b>\$ 2,111,125</b>

The accompanying notes to financial statements are an integral part of these statements.

<b>Infrastructure Surtax Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 16,030,122	\$ 24,055,975	\$ 6,239,154	\$ 60,690,403
-	-	-	302,515
684,321	-	198,634	4,012,374
-	-	-	1,375,810
-	-	803	536,659
-	-	-	10,399
-	-	-	1,910,786
-	-	-	74,159
<u>\$ 16,714,443</u>	<u>\$ 24,055,975</u>	<u>\$ 6,438,591</u>	<u>\$ 68,913,105</u>
\$ 45,842	\$ 107,947	\$ 576,625	\$ 1,928,013
-	-	3,388	1,252,798
-	-	-	500,000
-	-	-	242,418
-	-	-	46,764
109,938	-	-	2,280,042
<u>155,780</u>	<u>107,947</u>	<u>580,013</u>	<u>6,250,035</u>
<u>103,456</u>	<u>-</u>	<u>-</u>	<u>1,968,837</u>
<u>103,456</u>	<u>-</u>	<u>-</u>	<u>1,968,837</u>
-	-	-	10,399
-	-	-	2,145,147
-	-	-	74,159
-	-	-	1,686
16,455,207	16,448,028	-	32,903,235
-	-	3,119,560	3,482,023
-	-	273,721	273,721
-	-	1,721,612	1,721,612
-	-	743,685	743,685
-	7,500,000	-	7,500,000
-	-	-	39,931
-	-	-	229,676
-	-	-	1,051,177
-	-	-	10,517,782
<u>16,455,207</u>	<u>23,948,028</u>	<u>5,858,578</u>	<u>60,694,233</u>
<u>\$ 16,714,443</u>	<u>\$ 24,055,975</u>	<u>\$ 6,438,591</u>	<u>\$ 68,913,105</u>

**CITY OF KEY WEST, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET POSITION**  
**September 30, 2013**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 60,694,233
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		98,927,430
Internal service funds are used by management to charge the costs of insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		5,221,772
The net pension asset is not available resource and, therefore, is not reported in the funds.		3,633,324
Certain revenues are considered deferred inflows of resources in the fund financial statements due to availability of funds; under full accrual accounting they are considered revenues.		1,968,837
Liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities are comprised of the following:		
Other post employment benefits (OPEB)	\$ (2,278,190)	
Note payable	(878,521)	
Compensated absences*	<u>(3,369,424)</u>	<u>(6,526,135)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ <u>163,919,461</u>

\* Not created in connection with terminated employees.

The accompanying notes to financial statements are an integral part of these statements.



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**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2013**

	<b>General Fund</b>	<b>Community Development Office Fund</b>
<b>REVENUES:</b>		
Taxes	\$ 16,593,485	\$ -
Licenses and permits	3,186,346	-
Intergovernmental	6,932,953	1,389,475
Charges for services	6,881,080	-
Fines and forfeitures	707,745	-
Investment earnings	59,870	1,713
Rental income	1,918,923	33,170
Contributions and other	142,895	71,467
<b>Total revenues</b>	<b>36,423,297</b>	<b>1,495,825</b>
<b>EXPENDITURES:</b>		
Current:		
General government	14,716,056	-
Public safety	20,966,990	-
Transportation	757,323	-
Economic environment	80,197	1,474,198
Culture and recreation	1,951,187	-
Human services	488,057	-
Capital outlay	524,890	-
Debt service:		
Principal	-	-
Interest	-	-
<b>Total expenditures</b>	<b>39,484,700</b>	<b>1,474,198</b>
Excess (deficiency) of revenues over expenditures	(3,061,403)	21,627
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	5,660,845	-
Transfers out	(8,120,335)	-
Sale of general capital assets	7,540,515	-
<b>Total other financing sources (uses)</b>	<b>5,081,025</b>	<b>-</b>
Net change in fund balances	2,019,622	21,627
<b>Fund balances, October 1</b>	<b>12,548,328</b>	<b>620,588</b>
<b>Fund balances, September 30</b>	<b>\$ 14,567,950</b>	<b>\$ 642,215</b>

The accompanying notes to financial statements are an integral part of these statements.

<b>Gas Tax Fund</b>	<b>Infrastructure Surtax Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,323,846	\$ 7,133,574	\$ -	\$ 663,781	\$ 25,714,686
-	-	-	-	3,186,346
1,513,007	-	-	385,501	10,220,936
-	-	-	576,956	7,458,036
-	-	-	61,144	768,889
3	36,186	69,181	30,521	197,474
-	-	-	-	1,952,093
181,563	-	-	-	395,925
<u>3,018,419</u>	<u>7,169,760</u>	<u>69,181</u>	<u>1,717,903</u>	<u>49,894,385</u>
-	110,703	-	509,916	15,336,675
-	21,072	-	33,678	21,021,740
1,402,026	-	-	5,086,587	7,245,936
-	-	-	229,023	1,783,418
-	-	-	-	1,951,187
-	-	-	-	488,057
2,691,895	2,421,355	621,677	176,832	6,436,649
-	-	-	147,059	147,059
-	-	-	26,162	26,162
<u>4,093,921</u>	<u>2,553,130</u>	<u>621,677</u>	<u>6,209,257</u>	<u>54,436,883</u>
<u>(1,075,502)</u>	<u>4,616,630</u>	<u>(552,496)</u>	<u>(4,491,354)</u>	<u>(4,542,498)</u>
1,250,000	414,000	7,500,000	1,655,289	16,480,134
(521,527)	(2,198,720)	(90,652)	(1,298,112)	(12,229,346)
-	-	-	-	7,540,515
<u>728,473</u>	<u>(1,784,720)</u>	<u>7,409,348</u>	<u>357,177</u>	<u>11,791,303</u>
(347,029)	2,831,910	6,856,852	(4,134,177)	7,248,805
(430,716)	13,623,297	17,091,176	9,992,755	53,445,428
<u><u>\$ (777,745)</u></u>	<u><u>\$ 16,455,207</u></u>	<u><u>\$ 23,948,028</u></u>	<u><u>\$ 5,858,578</u></u>	<u><u>\$ 60,694,233</u></u>

**CITY OF KEY WEST, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**September 30, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 7,248,805

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is depreciated  
over their estimated useful lives. This is the amount by which  
capital outlay exceeded depreciation expense and loss on disposal  
for the current period:

Expenditures for capital assets	\$	6,436,649	
Donated capital assets		8,469,930	
Less: Net book value of disposed assets		(103,180)	
Less: Current year depreciation		(3,900,348)	10,903,051

Repayment of a loan is an expenditure in the governmental funds,  
but the repayment is a reduction of a liability in the statement of  
net position. 147,059

Revenues that are earned but not received within the availability  
period are recognized in the statement of activities when earned  
and subsequently in the governmental fund financial statements  
when they become available. The net difference is recorded as  
a reconciling item. 303,747

Under the modified accrual basis of accounting used in the  
governmental funds, expenditures are not recognized for transactions  
that are not normally paid with expendable available financial  
resources. In the statement of activities, however, which is  
presented on the accrual basis, expenses and liabilities are reported  
regardless of when financial resources are available.

Other post employment benefits (OPEB) (488,321)

The change in compensated absences not created by employee  
termination does not require adjustment of current financial  
resources and, therefore, is not reported in the governmental funds. (71,124)

Internal service funds are used by management to charge the costs  
of certain activities to individual funds. The net of the internal  
service fund is reported with governmental funds. 179,341

Net pension assets reported in the statement of activities do not  
require the use of current financial resources and, therefore, are  
not reported as expenditures in the governmental funds. (68,866)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 18,153,692

The accompanying notes to financial statements are an integral part of these statements.

**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended September 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES:</b>				
Taxes	\$ 16,151,041	\$ 16,151,041	\$ 16,593,485	\$ 442,444
Licenses and permits	2,558,800	2,558,800	3,186,346	627,546
Intergovernmental	6,332,707	6,711,519	6,932,953	221,434
Charges for services	7,102,423	7,102,423	6,881,080	(221,343)
Fines and forfeitures	809,800	809,800	707,745	(102,055)
Investment earnings	175,000	175,000	59,870	(115,130)
Rental income	1,875,400	1,875,400	1,918,923	43,523
Contributions and other	40,500	35,750	142,895	107,145
<b>Total revenues</b>	<u>35,045,671</u>	<u>35,419,733</u>	<u>36,423,297</u>	<u>1,003,564</u>
<b>EXPENDITURES:</b>				
Personal services	30,888,051	31,678,194	31,460,763	217,431
Operating	8,448,802	8,544,366	7,418,850	1,125,516
Capital outlay	447,985	764,857	524,890	239,967
Aid to private organizations	91,300	96,925	80,197	16,728
<b>Total expenditures</b>	<u>39,876,138</u>	<u>41,084,342</u>	<u>39,484,700</u>	<u>1,599,642</u>
Excess (deficiency) of revenues over expenditures	<u>(4,830,467)</u>	<u>(5,664,609)</u>	<u>(3,061,403)</u>	<u>2,603,206</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	5,834,260	5,834,260	5,660,845	(173,415)
Transfers out	(602,381)	(8,120,335)	(8,120,335)	-
Sale of general capital assets	-	7,500,000	7,540,515	40,515
<b>Total other financing sources (uses)</b>	<u>5,231,879</u>	<u>5,213,925</u>	<u>5,081,025</u>	<u>(132,900)</u>
<b>Net change in fund balance</b>	<u>\$ 401,412</u>	<u>\$ (450,684)</u>	<u>\$ 2,019,622</u>	<u>\$ 2,470,306</u>
<b>FUND BALANCE, October 1</b>			<u>12,548,328</u>	
<b>FUND BALANCE, September 30</b>			<u>\$ 14,567,950</u>	

The accompanying notes to financial statements are an integral part of these statements.

**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GAS TAX SPECIAL REVENUE FUND**  
**For the Year Ended September 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final Budget</b>
<b>REVENUES:</b>				
Taxes	\$ 1,535,000	\$ 1,535,000	\$ 1,323,846	\$ (211,154)
Intergovernmental	-	3,859,859	1,513,007	(2,346,852)
Investment earnings	500	500	3	(497)
Contributions and other	-	-	181,563	181,563
<b>Total revenues</b>	<u>1,535,500</u>	<u>5,395,359</u>	<u>3,018,419</u>	<u>(2,376,940)</u>
<b>EXPENDITURES:</b>				
Personal Services	214,290	214,290	211,033	3,257
Operating	1,063,090	1,194,093	1,190,993	3,100
Capital outlay	1,297,000	4,209,365	2,691,895	1,517,470
<b>Total expenditures</b>	<u>2,574,380</u>	<u>5,617,748</u>	<u>4,093,921</u>	<u>1,523,827</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>(1,038,880)</u>	<u>(222,389)</u>	<u>(1,075,502)</u>	<u>(853,113)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,250,000	1,250,000	1,250,000	-
Transfers out	(521,527)	(521,527)	(521,527)	-
<b>Total other financing sources (uses)</b>	<u>728,473</u>	<u>728,473</u>	<u>728,473</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (310,407)</u>	<u>\$ 506,084</u>	<u>(347,029)</u>	<u>\$ (853,113)</u>
<b>FUND BALANCE, October 1</b>			<u>(430,716)</u>	
<b>FUND BALANCE, September 30</b>			<u>\$ (777,745)</u>	

The accompanying notes to financial statements are an integral part of these statements.

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**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2013**

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
<b>ASSETS:</b>			
<b>Current assets:</b>			
Cash, cash equivalents and investments	\$ 8,316,889	\$ 8,073,169	\$ 10,831,624
Receivables, net of allowance for uncollectibles:			
Accounts	1,145,179	1,290,152	345,051
Intergovernmental	-	-	-
Interfund receivables	338	930	1,564
Prepaid expenses	-	-	17,332
Inventories	556,144	2,669	77,047
<b>Total</b>	<u>10,018,550</u>	<u>9,366,920</u>	<u>11,272,618</u>
<b>Restricted assets:</b>			
Cash, cash equivalents and investments	548,552	284,668	-
<b>Total current assets</b>	<u>10,567,102</u>	<u>9,651,588</u>	<u>11,272,618</u>
<b>Noncurrent assets:</b>			
<b>Property, plant and equipment:</b>			
Land	6,480	3,745,027	14,879,527
Buildings and improvements	24,900,870	8,677,969	7,000,827
Infrastructure	110,287,203	3,697	9,381,563
Machinery, equipment and furniture	9,615,953	794,364	647,945
Construction in progress	3,479,504	-	813,439
<b>Total property, plant and equipment</b>	148,290,010	13,221,057	32,723,301
Less accumulated depreciation	65,880,732	2,437,332	9,274,416
<b>Net property, plant and equipment</b>	<u>82,409,278</u>	<u>10,783,725</u>	<u>23,448,885</u>
<b>Other noncurrent assets:</b>			
Advances to other funds	2,002,861	-	164,986
<b>Total noncurrent assets</b>	<u>84,412,139</u>	<u>10,783,725</u>	<u>23,613,871</u>
<b>Total assets</b>	<u>94,979,241</u>	<u>20,435,313</u>	<u>34,886,489</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred charge on refunding	448,401	-	27,803
<b>Total assets and deferred outflows of resources</b>	<u>\$ 95,427,642</u>	<u>\$ 20,435,313</u>	<u>\$ 34,914,292</u>

The accompanying notes to financial statements are an integral part of these statements.



<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 1,363,509	\$ 1,400,087	\$ 29,985,278	\$ 7,384,303
253,764	121,837	3,155,983	641,466
426,697	713,938	1,140,635	-
42	2,537	5,411	-
-	5,431	22,763	72,366
25,379	35,135	696,374	-
<u>2,069,391</u>	<u>2,278,965</u>	<u>35,006,444</u>	<u>8,098,135</u>
-	-	833,220	-
<u>2,069,391</u>	<u>2,278,965</u>	<u>35,839,664</u>	<u>8,098,135</u>
-	50,000	18,681,034	-
-	5,217,674	45,797,340	-
28,063,993	7,700,114	155,436,570	-
108,501	5,749,549	16,916,312	-
4,124,770	1,060,937	9,478,650	-
32,297,264	19,778,274	246,309,906	-
<u>8,616,105</u>	<u>12,018,364</u>	<u>98,226,949</u>	<u>-</u>
<u>23,681,159</u>	<u>7,759,910</u>	<u>148,082,957</u>	<u>-</u>
-	-	2,167,847	-
<u>23,681,159</u>	<u>7,759,910</u>	<u>150,250,804</u>	<u>-</u>
<u>25,750,550</u>	<u>10,038,875</u>	<u>186,090,468</u>	<u>8,098,135</u>
-	-	476,204	-
<u>\$ 25,750,550</u>	<u>\$ 10,038,875</u>	<u>\$ 186,566,672</u>	<u>\$ 8,098,135</u>

**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**(continued)**  
**September 30, 2013**

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
<b>LIABILITIES AND NET POSITION:</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 71,764	\$ 813,676	\$ 117,243
Accrued payroll and related expenses	10,707	29,263	34,620
Compensated absences	28,666	44,789	22,455
Accrued expenses	-	-	163,897
Accrued interest	64,032	-	74,559
Retainage payable	-	34,238	29,821
Interfund payable	-	-	-
Insurance claims payable	-	-	-
Landfill closure costs payable, current	-	40,000	-
Unearned revenue	167,341	180,131	355,262
Bonds and notes payable, current	695,360	-	1,240,273
<b>Total current liabilities</b>	<u>1,037,870</u>	<u>1,142,097</u>	<u>2,038,130</u>
<b>Noncurrent liabilities:</b>			
Revenue bonds payable	23,348,500	-	5,397,057
Note payable	2,419,340	-	-
Landfill closure costs payable	-	63,333	-
Advances from other funds	-	-	-
Insurance claims payable	-	-	-
Customer deposits	600	-	229,241
OPEB liability	14,673	6,391	66,976
Compensated absences	15,436	45,087	19,837
<b>Total noncurrent liabilities</b>	<u>25,798,549</u>	<u>114,811</u>	<u>5,713,111</u>
<b>Total liabilities</b>	<u>26,836,419</u>	<u>1,256,908</u>	<u>7,751,241</u>
<b>NET POSITION:</b>			
Net investment in capital assets	56,394,479	10,783,725	16,839,358
Restricted for debt service	484,520	-	-
Restricted for landfill long-term closure costs	-	104,537	-
Unrestricted (deficit)	11,712,224	8,290,143	10,323,693
<b>Total net position</b>	<u>68,591,223</u>	<u>19,178,405</u>	<u>27,163,051</u>
<b>Total liabilities and net position</b>	<u>\$ 95,427,642</u>	<u>\$ 20,435,313</u>	<u>\$ 34,914,292</u>

The accompanying notes to financial statements are an integral part of these statements.

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 112,988	\$ 203,607	\$ 1,319,278	\$ 33,025
1,935	75,763	152,288	5,463
3,758	60,512	160,180	6,435
-	-	163,897	-
-	-	138,591	-
148,257	25,143	237,459	-
-	-	-	42,070
-	-	-	1,749,404
-	-	40,000	-
-	131,820	834,554	905
-	-	1,935,633	-
<u>266,938</u>	<u>496,845</u>	<u>4,981,880</u>	<u>1,837,302</u>
-	-	28,745,557	-
-	-	2,419,340	-
-	-	63,333	-
3,913,647	164,986	4,078,633	-
-	-	-	1,035,596
-	208,798	438,639	-
6,252	104,644	198,936	-
2,023	34,426	116,809	3,465
<u>3,921,922</u>	<u>512,854</u>	<u>36,061,247</u>	<u>1,039,061</u>
<u>4,188,860</u>	<u>1,009,699</u>	<u>41,043,127</u>	<u>2,876,363</u>
23,681,159	7,759,910	115,458,631	-
-	-	484,520	-
-	-	104,537	-
<u>(2,119,469)</u>	<u>1,269,266</u>	<u>29,475,857</u>	<u>5,221,772</u>
<u>21,561,690</u>	<u>9,029,176</u>	<u>145,523,545</u>	<u>5,221,772</u>
<u>\$ 25,750,550</u>	<u>\$ 10,038,875</u>	<u>\$ 186,566,672</u>	<u>\$ 8,098,135</u>

**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2013**

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 12,164,008	\$ 9,503,129	\$ 7,047,048
<b>Total operating revenues</b>	<u>12,164,008</u>	<u>9,503,129</u>	<u>7,047,048</u>
<b>OPERATING EXPENSES:</b>			
Personal services	325,094	728,449	945,739
Other operating expenses	5,323,354	7,392,500	2,262,658
Depreciation	<u>4,503,073</u>	<u>632,428</u>	<u>876,950</u>
<b>Total operating expenses</b>	<u>10,151,521</u>	<u>8,753,377</u>	<u>4,085,347</u>
<b>Operating income (loss)</b>	<u>2,012,487</u>	<u>749,752</u>	<u>2,961,701</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Grant income (operating)	-	-	-
Investment earnings	98,196	19,958	38,147
Other income	132,933	-	142,766
Interest expense and other fiscal charges	<u>(1,252,775)</u>	<u>-</u>	<u>(243,874)</u>
<b>Net nonoperating revenues (expenses)</b>	<u>(1,021,646)</u>	<u>19,958</u>	<u>(62,961)</u>
<b>Income (loss) before transfers and contributions</b>	<u>990,841</u>	<u>769,710</u>	<u>2,898,740</u>
<b>TRANSFERS AND CONTRIBUTIONS:</b>			
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	<u>(1,342,614)</u>	<u>(1,386,891)</u>	<u>(667,133)</u>
<b>Total transfers and contributions</b>	<u>(1,342,614)</u>	<u>(1,386,891)</u>	<u>(667,133)</u>
<b>Change in net position</b>	(351,773)	(617,181)	2,231,607
<b>NET POSITION, October 1, as restated (Note 16)</b>	<u>68,942,996</u>	<u>19,795,586</u>	<u>24,931,444</u>
<b>NET POSITION, September 30</b>	<u>\$ 68,591,223</u>	<u>\$ 19,178,405</u>	<u>\$ 27,163,051</u>

The accompanying notes to financial statements are an integral part of these statements.

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ <u>2,613,337</u>	\$ <u>2,545,801</u>	\$ <u>33,873,323</u>	\$ <u>8,218,438</u>
<u>2,613,337</u>	<u>2,545,801</u>	<u>33,873,323</u>	<u>8,218,438</u>
59,590	2,016,746	4,075,618	146,585
1,161,465	1,372,350	17,512,327	7,606,209
<u>1,399,759</u>	<u>700,801</u>	<u>8,113,011</u>	<u>-</u>
<u>2,620,814</u>	<u>4,089,897</u>	<u>29,700,956</u>	<u>7,752,794</u>
<u>(7,477)</u>	<u>(1,544,096)</u>	<u>4,172,367</u>	<u>465,644</u>
-	1,124,015	1,124,015	-
2,167	6,062	164,530	22,041
-	134,546	410,245	-
<u>(134,044)</u>	<u>(542)</u>	<u>(1,631,235)</u>	<u>-</u>
<u>(131,877)</u>	<u>1,264,081</u>	<u>67,555</u>	<u>22,041</u>
<u>(139,354)</u>	<u>(280,015)</u>	<u>4,239,922</u>	<u>487,685</u>
2,224,155	293,982	2,518,137	-
-	419,952	419,952	-
<u>(474,703)</u>	<u>(491,055)</u>	<u>(4,362,396)</u>	<u>(308,344)</u>
<u>1,749,452</u>	<u>222,879</u>	<u>(1,424,307)</u>	<u>(308,344)</u>
1,610,098	(57,136)	2,815,615	179,341
<u>19,951,592</u>	<u>9,086,312</u>	<u>142,707,930</u>	<u>5,042,431</u>
\$ <u><u>21,561,690</u></u>	\$ <u><u>9,029,176</u></u>	\$ <u><u>145,523,545</u></u>	\$ <u><u>5,221,772</u></u>

**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2013**

	<b>Sanitary Sewer System</b>	<b>Solid Waste</b>	<b>Key West Bight</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 12,338,736	\$ 9,605,378	\$ 7,012,878
Cash received from interfund charges	-	-	-
Cash paid to suppliers	(5,348,850)	(7,071,839)	(2,293,136)
Cash paid to employees	(288,351)	(729,845)	(951,716)
Other receipts	132,933	-	142,766
<b>Net cash provided by (used in) operating activities</b>	<b>6,834,468</b>	<b>1,803,694</b>	<b>3,910,792</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating grants received	-	-	-
Advance/loan from (to) other funds	92,755	-	44,458
Interest paid on advances from other funds	-	-	-
Transfers in	-	-	-
Transfers (out)	(1,342,614)	(1,386,891)	(667,133)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(1,249,859)</b>	<b>(1,386,891)</b>	<b>(622,675)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds of debt	19,963,753	-	-
Proceeds of capital grants *	-	-	-
Acquisition and construction of capital assets	(1,162,491)	-	(1,051,493)
Principal paid on revenue bonds	(21,995,253)	-	(1,202,499)
Interest paid and other fiscal charges	(1,665,796)	-	(243,941)
Payments on notes	(271,412)	-	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(5,131,199)</b>	<b>-</b>	<b>(2,497,933)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment earnings	98,196	19,958	38,147
<b>Net cash provided by (used in) investing activities</b>	<b>98,196</b>	<b>19,958</b>	<b>38,147</b>
<b>Net increase (decrease) in cash, cash equivalents and investments</b>	<b>551,606</b>	<b>436,761</b>	<b>828,331</b>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, October 1</b>	<b>8,313,835</b>	<b>7,921,076</b>	<b>10,003,293</b>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, September 30</b>	<b>\$ 8,865,441</b>	<b>\$ 8,357,837</b>	<b>\$ 10,831,624</b>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>			
Cash, cash equivalents and investments	\$ 8,316,889	\$ 8,073,169	\$ 10,831,624
Restricted cash, cash equivalents and investments	548,552	284,668	-
<b>Cash, cash equivalents and investments</b>	<b>\$ 8,865,441</b>	<b>\$ 8,357,837</b>	<b>\$ 10,831,624</b>

\* Capital contributions for the year ended September 30, 2013 are all associated with cash transactions.

The accompanying notes to financial statements are an integral part of these statements.

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 2,642,738	\$ 2,582,174	\$ 34,181,904	\$ -
-	-	-	8,192,277
(1,516,293)	(1,237,870)	(17,467,988)	(8,083,831)
(58,838)	(1,971,271)	(4,000,021)	(147,419)
-	134,546	410,245	-
<u>1,067,607</u>	<u>(492,421)</u>	<u>13,124,140</u>	<u>(38,973)</u>
-	1,637,341	1,637,341	-
(206,482)	(64,984)	(134,253)	-
(134,044)	(542)	(134,586)	-
-	419,952	419,952	-
<u>(474,703)</u>	<u>(491,055)</u>	<u>(4,362,396)</u>	<u>(308,344)</u>
<u>(815,229)</u>	<u>1,500,712</u>	<u>(2,573,942)</u>	<u>(308,344)</u>
-	-	19,963,753	-
2,880,127	72,887	2,953,014	-
(2,955,941)	(1,827,231)	(6,997,156)	-
-	-	(23,197,752)	-
-	-	(1,909,737)	-
-	-	(271,412)	-
<u>(75,814)</u>	<u>(1,754,344)</u>	<u>(9,459,290)</u>	<u>-</u>
<u>2,167</u>	<u>6,062</u>	<u>164,530</u>	<u>22,041</u>
<u>2,167</u>	<u>6,062</u>	<u>164,530</u>	<u>22,041</u>
178,731	(739,991)	1,255,438	(325,276)
<u>1,184,778</u>	<u>2,140,078</u>	<u>29,563,060</u>	<u>7,709,579</u>
\$ <u>1,363,509</u>	\$ <u>1,400,087</u>	\$ <u>30,818,498</u>	\$ <u>7,384,303</u>
\$ 1,363,509	\$ 1,400,087	\$ 29,985,278	\$ 7,384,303
-	-	833,220	-
\$ <u>1,363,509</u>	\$ <u>1,400,087</u>	\$ <u>30,818,498</u>	\$ <u>7,384,303</u>

**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**(continued)**  
**For the Year Ended September 30, 2013**

	<u>Sanitary Sewer System</u>	<u>Solid Waste</u>	<u>Key West Bight</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 2,012,487	\$ 749,752	\$ 2,961,701
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Other nonoperating revenues	132,933	-	142,766
Depreciation	4,503,073	632,428	876,950
<b>Decrease (increase) in assets:</b>			
Accounts receivables, net	162,742	6,979	(55,826)
Interfund receivables, net	215	590	1,131
Prepaid expenses	-	-	5,756
Inventories	(63,197)	5,709	(42,230)
<b>Increase (decrease) in liabilities:</b>			
Accounts payable	37,701	354,952	30,601
Accrued payroll and related expenses	1,137	4,558	3,305
Accrued expenses	-	-	(24,605)
Interfund payable	-	-	-
Insurance claims payable	-	-	-
Landfill closure costs payable	-	(40,000)	-
Unearned revenue	11,986	95,270	47,492
Customer deposits	-	-	(25,836)
OPEB liability	1,257	2,411	2,280
Compensated absences	34,134	(8,955)	(12,693)
<b>Total adjustments</b>	<u>4,821,981</u>	<u>1,053,942</u>	<u>949,091</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	\$ <u>6,834,468</u>	\$ <u>1,803,694</u>	\$ <u>3,910,792</u>

The accompanying notes to financial statements are an integral part of these statements.



<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
\$ <u>(7,477)</u>	\$ <u>(1,544,096)</u>	\$ <u>4,172,367</u>	\$ <u>465,644</u>
-	134,546	410,245	-
1,399,759	700,801	8,113,011	-
29,401	11,248	154,544	(37,347)
27	1,885	3,848	-
-	1,488	7,244	12,305
590	(3,877)	(103,005)	-
(160,723)	136,869	399,400	(10,460)
26	5,509	14,535	(104)
(194,695)	-	(219,300)	-
-	-	-	(26,682)
-	-	-	(442,120)
-	-	(40,000)	-
-	21,291	176,039	521
-	3,834	(22,002)	-
(99)	20,755	26,604	-
798	17,326	30,610	(730)
<u>1,075,084</u>	<u>1,051,675</u>	<u>8,951,773</u>	<u>(504,617)</u>
\$ <u><u>1,067,607</u></u>	\$ <u><u>(492,421)</u></u>	\$ <u><u>13,124,140</u></u>	\$ <u><u>(38,973)</u></u>

**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**September 30, 2013**

**ASSETS:**

Cash and cash equivalents	\$ 5,922,869
Investments, at fair value:	
Equity securities	69,333,129
Corporate and foreign bonds, and bond funds	21,515,366
Alternative investments	9,788,361
U.S. government securities	2,392,898
Municipal obligations	2,826,484
Real estate	4,060,000
Receivables:	
Interest and dividends	354,934
Due from governmental funds, in-transit	117,096
State contributions	183,071
Proceeds from securities sold	<u>503,790</u>
<b>Total assets</b>	<u><u>116,997,998</u></u>

**LIABILITIES:**

Accounts payable and accrued expenses	90,898
Payable for securities purchased	304,112
Deferred retirement option plan and other benefits payable	<u>7,845,004</u>
<b>Total liabilities</b>	<u><u>8,240,014</u></u>

**NET POSITION:**

Held in trust for employees' pension benefits	\$ <u><u>108,757,984</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended September 30, 2013**

**ADDITIONS:**

Contributions:	
Employer	\$ 3,899,659
Members	1,396,396
State police and fire	<u>686,009</u>
Total contributions	<u>5,982,064</u>

Investment earnings:

Net appreciation (depreciation) in fair value of investments	11,814,510
Interest and dividends	<u>3,282,550</u>

Total investment earnings 15,097,060

Less: Investment expenses	516,828
Deferred retirement option plan participants earnings (losses)	<u>494,750</u>

Net investment earnings 14,085,482

**Total additions** 20,067,546

**DEDUCTIONS:**

Benefits paid	6,857,634
Administrative expenses	255,814
Contributions refunded	<u>40,980</u>

**Total deductions** 7,154,428

**Changes in net position** 12,913,118

**NET POSITION, October 1** 95,844,866

**NET POSITION, September 30** \$ 108,757,984

The accompanying notes to financial statements are an integral part of these statements.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. Summary of Significant Accounting Policies**

The City of Key West, Florida (the "City") is a municipal corporation incorporated in 1828. The City operates under a commission-manager form of government. The City provides services authorized by its charter, including public safety, public welfare, public improvements, planning and zoning, transportation, recreation, and general administrative services. The City complies with Accounting Principles Generally Accepted in the United States of America and those standards promulgated by the Governmental Accounting Standards Board (GASB).

**A. Reporting Entity**

In defining the City for financial reporting purposes, management has considered all potential component units. Component units are generally legally separate entities for which the primary government (the City) is financially accountable. A primary government is financially accountable for the potential component unit if it appoints a voting majority of the unit's governing board and is able to impose its will upon the potential component unit, or there is a possibility for the potential component unit to provide specific financial benefits or impose specific financial burdens on the primary government. Section B briefly reviews each potential component unit addressed in defining the City's reporting entity.

**B. Individual Component Unit Disclosures**

**Discretely Presented Component Unit:**

The Housing Authority of the City of Key West, Florida (KWHHA or the Authority) was created by Florida Statute Chapter 421 and by resolution of the City in 1938. The primary purpose of KWHHA is to provide affordable housing to low income, elderly and disabled families in Key West. Programs are administered through the Department of Housing and Urban Development. The Authority's Board, appointed by the City Commission as required by statute, has full administrative responsibilities. The City provides approximately \$ 486,000 of free sewer, solid waste and stormwater services annually to substantially all public housing facilities within the city limits. Except for these services and certain debt guarantees (Note 12), the City has no other obligations to KWHHA. KWHHA is considered a component unit of the City and is presented discretely in these financial statements. Financial information presented herein regarding KWHHA reflects a December 31, 2012 year-end. Further information regarding KWHHA, their financial statements, and their operations may be obtained by contacting them directly at: The Housing Authority of the City of Key West, Florida, 1400 Kennedy Drive, Key West, Florida 33045.

**Blended Component Unit:**

There are no presented blended component units for the City.

**Other Organizations:**

The Utility Board of the City of Key West, Florida, or Keys Energy Services, is an independent utility board created by Florida Statute Chapter 21 to manage, operate, and maintain the electric utility servicing the citizens of Key West and the Lower Keys. The Board is elected by the voters of the community. In accordance with bond resolution requirements, the City annually receives a return on the City's equity in the system, a sum equal to the greater of (a) \$ 200,000 (adjusted annually for changes in the Consumer Price Index) or (b) one percent (1%) of the gross revenues derived from sales of electricity at retail. For the fiscal year ended September 30, 2013, the City received payment of approximately \$ 434,000. Keys Energy Services is not considered a component unit of the City.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. Summary of Significant Accounting Policies (continued)**

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, OPEB liabilities, and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's sewer, solid waste functions and various other functions of the government, if applicable. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. Summary of Significant Accounting Policies (continued)**

Amounts reported as program revenue include: 1) charges to customers or applicants for goods, services, or privileges provided, rental income, licenses and permits, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The City recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administration expenses, and provision for depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**The City reports the following major governmental funds:**

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Community Development Office Fund, a special revenue fund, accounts for proceeds and disbursements of housing, economic, and urban development grants. This fund is managed by The Housing Authority of the City of Key West, Florida under a contractual agreement. This fund has been determined by management to be a major fund.

The Gas Tax Fund, a special revenue fund, accounts for county and state gasoline tax revenue sharing, designated for the capital improvements of streets and sidewalks.

The Infrastructure Surtax Fund, a capital projects fund, accounts for the local government discretionary sales surtax, used for the development of infrastructure, acquisition of land, or protection of natural resources.

The Capital Projects Fund was established to account for financial resources expended on acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. Currently, the fund has accumulated sufficient assets, through transfers from the infrastructure surtax fund, to continue the process of designing and constructing a new City Administration Building.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. Summary of Significant Accounting Policies (continued)**

**The City reports the following major proprietary funds:**

The Sanitary Sewer System Fund accounts for the activities of the City's sewer treatment plant, sewage pumping stations and collection system.

The Solid Waste Fund accounts for the activities of the City's solid waste collection and disposal system.

The Key West Bight Fund accounts for the operations of the area known as the Key West Bight, which includes marina service, restaurants, and retail shops.

The Stormwater Fund accounts for the operation of the City stormwater collection process.

**Additionally, the City reports the following fund types:**

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditures for specified purposes. These funds include the Law Enforcement Trust, Fort Taylor, Affordable Housing Escrow, Bahama Village, Navy Pier Payments Funds, and Caroline Street.

Enterprise Funds - These funds are used to account for operations that are (1) financed primarily through user charges or (2) where the City has decided that the determination of net position is appropriate. These Funds include Garrison Bight and Transit System.

Internal Service Fund - This fund is used to account for goods or services provided by one department to other departments of the City on a cost measurement basis, in particular, the City's Insurance Fund.

Pension Trust Funds - These funds are used to account for assets held by the City in a trustee capacity as an agent of the Pension Trust Board. Pension trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. These funds include Police Officers and Firefighters Retirement Plan and the General Employees Retirement Plan.

**E. Budgets and Budgetary Accounting**

Florida Statutes require that all city governments prepare, adopt and execute an annual budget for such funds as may be required by law or by sound financial practices and generally accepted accounting principles. Accordingly, the City has established budgetary procedures.

The City adopts an operating budget on a generally accepted accounting principles basis for all governmental and proprietary funds except as noted below. All appropriations lapse at the end of the fiscal year. The City is not legally required to, and does not, adopt budgets for the pension funds nor does it adopt a budget for the Community Development Office Fund.



**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. Summary of Significant Accounting Policies (continued)**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances are recorded at the time a purchase offer or other commitment is entered into. Encumbrances outstanding at year-end represent the estimated amount of expenditures which would result if unperformed purchase orders and other commitments at year-end are completed. Encumbrances lapse at year-end; however, the City generally intends to honor purchase orders and other commitments in process. As a result, encumbrances outstanding at year-end are re-appropriated in the next fiscal year and are therefore presented as committed or assigned fund balance for the subsequent year.

The legal level of control is at the major category level; i.e., personal services, operating, capital, debt service, aid to private organizations and transfers.

**Budgetary Process:**

Certain procedures are followed in establishing the budgetary data reflected in the financial statements:

Not later than 60 days prior to the end of the fiscal year, the City Manager submits to the Commission a proposed operating budget for the fiscal year commencing October 1. The budget is prepared by fund and major category (personal service, operating, capital, debt service, aid to private organizations and transfers) and includes the proposed expenditures and the means of financing them.

Two public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of a resolution, unless an extension of time is authorized by the Florida Department of Revenue. The budget resolution grants the City Manager discretion to effect certain budget changes as follows:

- The City Manager may increase the total fund budget by an amount not to exceed \$ 20,000. Beyond that, the City Commission must approve the increase by resolution.
- The City Manager may make unlimited transfers within a category within a fund.
- The City Manager may make transfers among categories up to \$ 20,000. Beyond that, the City Commission must approve the transfers by resolution.
- Any of the above actions must maintain a balanced budget.

The City Commission through the resolution process can amend the budget for any amount.



**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. Summary of Significant Accounting Policies (continued)**

Key dates affecting the annual budget for the fiscal year ended September 30, 2013 were as follows:

- The City received the Certification of Taxable Value from the County on July 2, 2012.
- The City Manager submitted proposed budgets to the Commission for public input at workshops held on July 23-24, 2012.
- The Proposed Millage was filed with the Property Appraiser on July 27, 2012.
- The Notice of Proposed Property Taxes was sent to taxpayers by the County on August 17, 2012, which included the date for the first public hearing.
- The first public hearing on the tentative millage and budget was held on September 6, 2012.
- Newspaper advertisements providing a summary of all proposed budgets, a Notice of Tax Increase, and the date for the second public hearing were published on September 13, 2012.
- The second public hearing was held on September 18, 2012, at which the final property tax (millage) rate and budget were adopted.
- The TRIM (Truth in Millage) Certificate of Compliance package was submitted to the State of Florida October 5, 2012.

The Navy Pier Payments Fund reports personnel services expenditures in excess of appropriations of \$ 1,398 due to the number of pay periods in the fiscal year. Sufficient budget existed in the operating category to cover for those expenditures. The Caroline Street Fund reports operating and aid to private organization expenditures in excess of appropriations of \$ 25,914 due to certain unbudgeted items during the creation of the new fund. Sufficient budget existed in the capital outlay category to cover these expenditures.

**F. Deposits and Investments**

Cash and cash equivalents are defined as demand deposits, money market accounts and other short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government, as well as its component unit, are generally carried at fair value, which is based on quoted market prices. Unrealized gains and losses in fair value are recognized.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. Summary of Significant Accounting Policies (continued)**

**G. Receivables and Payables**

The City of Key West recognizes receivables in its various funds based on the accounting basis required for that fund. Allowances are provided for possible uncollectible accounts.

During the course of operations, transactions occur which result in amounts owed to a particular fund by another fund, other than for goods provided or services rendered. These receivables and payables are due within a year and are classified as "interfund receivables/payables" on the balance sheet.

Non-current portions of interfund loans receivable/payable are reported as advances. Advances receivable in the governmental funds are reported as nonspendable fund balance, which indicates that the amounts reserved do not constitute expendable available resources and are therefore not available for appropriation.

**H. Prepaid Items**

Prepays are recorded as assets when the initial payment is made. Each asset is then charged off against operations in the period benefited. These amounts are reported as nonspendable fund balance in the governmental fund financial statements.

**I. Inventories**

Inventories are valued at cost, using the first-in/first-out (FIFO) method. Inventories for governmental and proprietary fund types are accounted for using the consumption method, wherein all inventories are maintained by perpetual records, expensed when used and adjusted by an annual physical count. These amounts are reported as nonspendable fund balance in the governmental fund financial statements.

**J. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Impact fees also are classified as restricted due to statutory limitations on their usage. Other accounts are restricted by local ordinance or other regulatory requirements, including monies set aside for future landfill long-term closure costs.

**K. Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and furniture, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 1,000 and an estimated useful life in excess of two years. All assets are depreciated using the straight-line method of depreciation. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. During the year, the City received donated real estate valued at approximately \$ 8.5 million.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. Summary of Significant Accounting Policies (continued)**

The cost of normal maintenance and repair that does not add to the value of the asset or materially extend asset life is not capitalized. The estimated useful lives of the City's capital assets are as follows:

Buildings and improvements	10-30 years
Machinery, equipment, and furniture	3-10 years
Infrastructure	30-50 years

Major outlays for capital assets and improvements are capitalized as construction progresses. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. There was no capitalized interest during the year.

**L. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is deferred charge on refunding reported in the proprietary funds and government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**M. Compensated Absences**

Under terms of civil service regulations, labor contracts, and administrative policy, regular, full-time and permanent employees are granted vacation and sick leave in varying amounts, which may be accumulated and paid upon separation from City service. Vacation time accrues at 10 to 20 days per year depending on years of service. Up to 240 hours of vacation time may be accumulated. Sick leave may be accumulated at a rate of 12 days per year up to a maximum of 720 hours. Both types of leave are payable at pay rates in effect at the date of separation. Hours paid vary based upon longevity and are in accordance with union contracts. The City reports the liability for compensated absences in the applicable governmental or business-type activities column in the government-wide financial statements when earned. Expenditures for compensated absences are recorded in the governmental funds only for employees who had terminated their employment as of the end of the fiscal year. In the case of proprietary fund financial statements, vested or accumulated vacation and sick leave, both current and non-current, is recorded as an expense and liability of the relevant proprietary fund as the benefits accrue to employees. No liability is recorded for non-vesting rights to personal leave.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. Summary of Significant Accounting Policies (continued)**

**N. Long-Term Obligations**

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Long-term debt is recognized as a liability in the governmental fund statements when due or when resources have been accumulated in the debt service fund for payment early in the following year. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Discounts and premiums on revenue bonds payable within the proprietary funds are amortized using the interest method over the life of the bonds. Bond discounts and premiums are presented as an adjustment of the outstanding amount of bonds payable.

**O. Fund Balance**

The City follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted into cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and note receivable, as well as property acquired for resale.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making. The City Commission is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Resources accumulated pursuant to stabilization arrangements are reported in this category.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commission or through resolution by the Commission authorizing this responsibility to the City Manager. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally can only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**1. Summary of Significant Accounting Policies (continued)**

Unassigned: This classification includes the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

**P. Minimum Fund Balance Policy**

The City's policy is to maintain an adequate General Fund balance to meet seasonal shortfalls in cash flows and reduce the susceptibility to emergency and unanticipated expenditures and/or revenue shortfalls. The City Commission has adopted a policy that requires the City to maintain unassigned fund balance equivalent to a minimum ranging from 20% to 25% of the subsequent year's budgeted operating expenditures and transfers out. In 2013, the minimum fund balance required by the City Commission at the close of the fiscal year ranges from approximately \$ 8,300,000 to \$ 10,400,000; therefore, unassigned fund balance is within the prescribed limits.

**Q. Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**R. Deficit Fund Balance**

At September 30, 2013, the City had a deficit fund balance in the Gas Tax Fund of \$ 777,745. The deficit is due to grant receivables that have not been collected within sixty days of the end of the current fiscal year and are therefore not available. In the opinion of management, future grant reimbursements will eliminate the deficit.

**S. Date of Management Review**

Subsequent events were evaluated by management through March 28, 2014, which is the date the financial statements were available to be issued.

**2. Deposits and Investments**

**A. Deposits**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures* requires governments to disclose deposits and investments exposed to custodial credit risk. For deposits, this is the risk that, in the event of the failure of a depository financial institution, a government may not be able to recover deposits nor be able to recover collateral securities that are in the possession of an outside party.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**2. Deposits and Investments (continued)**

The City's deposits must be placed with banks and savings and loans which are qualified as public depositories under Chapter 280, Florida Statutes. Monies deposited in amounts greater than the insurance coverage are covered by the participation of the bank in the Florida Security for Public Deposits Act. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

At September 30, 2013, the carrying amount of the City's deposits was \$ 13,819,640, with a bank balance of \$ 14,037,385. Included in the carrying amount of deposits was \$ 4,500 cash on hand.

**B. Investments**

As of September 30, 2013, the carrying value of the City's cash, cash equivalents and investments, was as follows:

	Cash	Cash Equivalents	Investments	Total
Cash, cash equivalents and investments	\$ 13,819,640	\$ 7,402,346	\$ 76,837,998	\$ 98,059,984
Restricted cash, cash equivalents, and investments	-	-	833,220	833,220
	<u>\$ 13,819,640</u>	<u>\$ 7,402,346</u>	<u>\$ 77,671,218</u>	<u>\$ 98,893,204</u>

Investments maturing in 90 days or less from their purchase dates are classified as cash equivalents for financial reporting purposes.

As of September 30, 2013, the City's investment maturities and credit ratings were as follows:

	Market Value	Investment Maturities (in Months)					S & P Credit Rating
		Less than 3	3 - 6	7 - 12	12 - 24	Over 24	
U.S. Government and Government Sponsored Entity Bonds/Notes	\$ 64,962,652	\$ -	\$ -	\$ 16,374,831	\$ 27,106,120	\$ 21,481,701	AA+
Certificates of Deposit	100,000	-	100,000	-	-	-	
Money Market							
Mutual Funds	317,544	317,544	-	-	-	-	AAAm
Municipal Obligations	4,919,523	-	-	-	1,636,842	3,282,681	AA or AA+
Commercial Paper	7,689,044	1,897,544	5,791,500	-	-	-	A-1 or A-1+
State Investment Pool:							
Florida Prime	7,084,209	7,084,209	-	-	-	-	AAAm
Fund B	592	-	-	-	-	592	Not Rated
	<u>\$ 85,073,564</u>	<u>\$ 9,299,297</u>	<u>\$ 5,891,500</u>	<u>\$ 16,374,831</u>	<u>\$ 28,742,962</u>	<u>\$ 24,764,974</u>	



**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013

**2. Deposits and Investments (continued)**

As of September 30, 2013, the City's investments are distributed among funds as follows:

	<u>Cash Equivalents</u>	<u>Investments</u>
Governmental Funds:		
General Fund	\$ 1,047,919	\$ 10,981,431
Community Development Office Fund	-	100,000
Gas Tax Fund	199	2,090
Infrastructure Surtax Fund	1,205,058	12,628,131
Capital Projects Fund	1,808,398	18,950,698
Nonmajor Governmental Funds	<u>469,026</u>	<u>4,915,050</u>
	<u>4,530,600</u>	<u>47,577,400</u>
Enterprise Funds:		
Sanitary Sewer System	666,456	6,983,974
Solid Waste	628,278	6,583,899
Key West Bight	814,210	8,532,333
Stormwater	102,501	1,074,138
Nonmajor Enterprise Funds	<u>105,189</u>	<u>1,102,304</u>
	<u>2,316,634</u>	<u>24,276,648</u>
Internal Service Fund	<u>555,112</u>	<u>5,817,170</u>
Total	<u>\$ 7,402,346</u>	<u>\$ 77,671,218</u>

**Interest rate risk** - To the extent possible, the City's investment policy limits the investment maturities of current operating funds to no longer than twenty-four months. Investments of bond reserves, construction funds and other non-operating funds shall not exceed five years. The investment policy also provides maturity limitations by investment type. The investments at September 30, 2013 meet the City's investment policy restrictions.

**Credit risk** - The City's investment policy limits risk by restricting authorized investments to the following: Florida Local Government Surplus Funds Trust Fund (SBA), direct obligations of the United States or its agencies and instrumentalities, interest bearing time deposits or savings accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax-exempt debt, mutual funds and intergovernmental investment pools. The policy requires that investments in federal instrumentality debt be backed by the full faith and credit of the U.S. government; commercial paper and bankers' acceptances be rated A-1 by Standard & Poor's (S&P); state and/or local government debt be rated at least AA by S&P and mutual funds be rated AAm or better by S&P. At September 30, 2013, the City's portfolio rating is in compliance with its investment policy.

**Concentration of credit risk** - The City's investment policy establishes limitations on portfolio composition, both by investment type and by issuer, at original cost, in order to control concentration of credit risk. The policy provides the following maximum limits of the portfolio, in addition to limits in any one issuer of the portfolio invested:

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013

**2. Deposits and Investments (continued)**

Investment Type:	Portfolio Maximum	Limits on Individual Issuer
Florida Local Government Surplus Fund (SBA)	100%	-
U.S. Government Securities - Treasuries	100%	-
U.S. Government Agencies Federal Instrumentalities - U.S.	50%	25%
Government Sponsored Agencies	80%	40%
Certificates of Deposit	50%	25%
Repurchase Agreements	50%	25%
Commercial Paper	25%	15%
Bankers' Acceptances	25%	15%
State and/or Local Government Debt	20%	-
Money Market Mutual Funds	50%	25%
Intergovernmental Investment Pool	25%	-

At September 30, 2013, the City's investment portfolio, excluding pension funds and funds related to the issuance of debt, is as follows:

Issue:	Percent of Investment Portfolio
U.S. Government Securities - Treasuries	39.3%
Federal Instrumentalities - U.S. Government Sponsored Agencies	37.1%
Commercial Paper	9.0%
Florida Local Government Surplus Funds (SBA)	8.3%
State and/or Local Government Debt (Municipal Obligations)	5.8%
Money Market Mutual Funds	0.4%
Certificates of Deposit	0.1%

GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. The investments in the Federal Home Loan Mortgage Corporation (Freddie Mac) are 20.34% (\$ 17,284,664) and Federal National Mortgage Association (Fannie Mae) are 12.32% (\$ 10,472,924). Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk by the City.

**Custodial credit risk** - The City's investment policy requires execution of a third-party custodial safekeeping agreement for all purchased securities and requires that securities be held in the City's name. As of September 30, 2013, all of the City's investments are held in a bank's trust department in the City's name, nominee registration.



**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**2. Deposits and Investments (continued)**

**Foreign credit risk** – For an investment, foreign credit risk is the risk that fluctuations in currency exchange rates may affect transactions conducted in currencies other than U.S. dollars and the carrying value of foreign investments. The City is not exposed to foreign credit risk.

**C. Investments - Pension Plans**

As of September 30, 2013, the City's pension plans had the following investments:

	General Employees Retirement Plan	Police Officers and Firefighter Retirement Plan
Equity Securities	\$ 25,927,186	\$ 43,405,943
Corporate and Foreign Bonds, and Bond Funds	9,747,181	11,768,185
Alternative Investments	4,400,709	5,387,652
U.S. Government Securities	2,201,919	190,979
Municipal Obligations	549,052	2,277,432
Real Estate	-	4,060,000
	<u>\$ 42,826,047</u>	<u>\$ 67,090,191</u>

As of September 30, 2013, the Plan's investment maturities and credit ratings were as follows:

**General Employees Retirement Plan:**

	Market Value	Investment Maturities (in Years)				S & P Credit Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Securities - Bonds and Notes	\$ 1,286,752	\$ -	\$ 1,226,102	\$ 60,650	\$ -	Aaa**
U.S. Government Securities - Mortgage/Asset Backed	915,167	-	81,991	82,236	750,940	Not Rated
Municipal Obligations	549,052	-	-	-	549,052	AAA through AA
Corporate and Foreign Bonds*	9,747,181	2,742,417	3,694,718	3,131,427	178,619	AAA through BBB
	<u>\$ 12,498,152</u>	<u>\$ 2,742,417</u>	<u>\$ 5,002,811</u>	<u>\$ 3,274,313</u>	<u>\$ 1,478,611</u>	

\* Includes \$ 297,157 which is rated BBB and \$ 361,336 which is rated BBB+. All other investments within this category are rated amongst the "A" rating.

\*\* Not rated by S & P; therefore, provided by Moody's credit rating.

The General Employees' Pension Plan includes \$ 1,714,251 (money market fund - AAAM) in cash equivalents with a maturity of less than 3 months.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

## 2. Deposits and Investments (continued)

### Police Officers and Firefighters Retirement Plan:

	Market Value	Investment Maturities (in Years)				S & P Credit Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Government Securities *	\$ 190,979	\$ -	\$ -	\$ 190,979	\$ -	-
Corporate and Foreign Bonds, and Bond Funds	11,768,185	154,384	6,689,202	4,442,746	481,853	AAA through B**
Municipal Obligations	2,277,432	-	11,177	154,059	2,112,196	AAA through B**
	<u>\$ 14,236,596</u>	<u>\$ 154,384</u>	<u>\$ 6,700,379</u>	<u>\$ 4,787,784</u>	<u>\$ 2,594,049</u>	

\* Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not have purchase limitations.

\*\* Includes \$ 4,545,455 rated amongst the "B" rating group, and \$ 635,083 are not rated.

**Interest rate risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. The larger the duration of a portfolio, the greater its price sensitivity to the changes in interest rates. Information about sensitivity of the fair value of the Plans' investments to market interest rate fluctuations are provided in the tables previously presented.

**Credit risk** - Credit risk is the risk that an investment portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plans' policies utilize portfolio diversification in order to control this risk. Information about the portfolio ratings by investment type is provided in the tables previously presented.

**Concentration credit risk** - The investment policies of the Plans contain limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. At September 30, 2013, the General Employees Retirement Plan had investments with American Core Realty Fund, LLC amounting to approximately 9.8% or \$ 4,400,000 of the total Plan's investments. The Police Officers and Firefighters Retirement Plan had no total investments in any one issuer that represent 5% or more of the Plan's total investments.

**Custodial credit risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Plans' investment policy requires securities, with the exception of certain alternative investments and real estate, to be registered in the Plans' name and held with a third party custodian.

### D. Component Unit:

**Deposits** - Demand and time deposits classified as cash are subject to FDIC coverage and insured in accordance with Florida Statute 280, which established the multiple financial institution collateral pool. At December 31, 2012, the Authority's book balance of cash was \$ 4,686,543 and the bank balance was \$ 4,882,113.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**2. Deposits and Investments (continued)**

As of December 31, 2012, cash is reported as follows:

Cash - unrestricted	\$ 3,243,111
Cash - restricted	<u>1,443,432</u>
Total	<u>\$ 4,686,543</u>

In addition, the component unit's pension plan deposits amounting to \$ 501,952 (\$ 502,265 bank balance) are fully insured by the FDIC and collateralized.

**Investments** - The component unit invests excess cash in state and local government securities (SLGS). SLGS are issued directly by the United States Treasury. The component unit invests in demand deposit securities that are one day certificates of indebtedness. The component unit is not exposed to any significant risks related to foreign currency risk, interest rate risk, or credit risk. Investments (restricted) as of December 31, 2012, approximate their fair value at \$ 1,335,466.

The investments held by the component unit's Pension Trust Fund (the "Plan") are stated at fair value. The financial institution's accounts are insured by Securities Investor Protection Corporation (SIPC). The concerned financial institution has also obtained additional protection for the remaining net position balance.

As of December 31, 2012, the Plan had the following investments:

Equity Mutual Funds:	
Vanguard Index TR 500	
Port Mutual Fund * (1)	\$ 1,896,018
Vanguard Total Intl Stock Index* (1)	662,333
Fixed Income Mutual Funds:	
PIMCO All Asset Fund* (1)	916,437
PIMCO Income Fund-Ins* (1)	582,017
PIMCO Invest Grd Corp -IN* (1)	578,858
PIMCO Total Return Instl* (1)	562,609
Money Market:	
Goldman Sachs Fin Sq Tt*	<u>2,000</u>
	<u>\$ 5,200,272</u>

\* Investment maturity is less than one year.

(1) Investment subject to concentration credit risk.

**Interest rate risk** - The Plan does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

**Concentration credit risk** - The Plan had six investments in two organizations that exceeded five percent of its net plan assets at year-end and noted above.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

### 3. Receivables and Deferred Inflows of Resources

Receivables at September 30, 2013 consist of the following:

Receivable Type:	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fiduciary	Total
Interest and dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 354,934	\$ 354,934
Accounts	302,486	29	-	5,786,134	641,466	-	6,730,115
Mortgages	-	2,492,628	-	-	-	-	2,492,628
Intergovernmental	726,502	2,601,551	684,321	1,140,635	-	183,071	5,336,080
Proceeds from securities sold	-	-	-	-	-	503,790	503,790
Gross receivables	<u>1,028,988</u>	<u>5,094,208</u>	<u>684,321</u>	<u>6,926,769</u>	<u>641,466</u>	<u>1,041,795</u>	<u>15,417,547</u>
Less allowance for uncollectible	<u>-</u>	<u>1,116,818</u>	<u>-</u>	<u>2,630,151</u>	<u>-</u>	<u>-</u>	<u>3,746,969</u>
Net receivables	<u>\$ 1,028,988</u>	<u>\$ 3,977,390</u>	<u>\$ 684,321</u>	<u>\$ 4,296,618</u>	<u>\$ 641,466</u>	<u>\$ 1,041,795</u>	<u>\$ 11,670,578</u>

As of September 30, 2013, deferred inflows of resources is comprised of the items as follows:

Intergovernmental:	
State of Florida Department of Transportation	\$ 1,761,956
Department of Homeland Security - FEMA	143,893
Monroe County, Tourist Development Council	60,190
South Florida Workforce Investment Board	1,924
U.S. Department of Justice	874
	<u>\$ 1,968,837</u>

Property taxes are levied November 1st on property valued as of the previous 1<sup>st</sup> of January. The Tax Collector of Monroe County, Florida, bills and collects property taxes on behalf of the City. The tax rate, to finance general governmental services for the fiscal year ended September 30, 2013, was 2.9185 per \$ 1,000 of assessed taxable property value. The final taxable value amounted to \$ 5,091,609,109. Property tax revenues are recognized when they become available. Available means 1) when due, or past due and receivable within the current period, and 2) collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Taxes relating to the current budget and collected within 60 days after the fiscal year end are recognized as revenue currently. Property taxes are due for payment on March 31<sup>st</sup> and become delinquent on April 1<sup>st</sup>. At September 30, 2013, there were no material property tax receivables.

Interest and dividends receivable consists of earnings on investments earned but not received at the end of the year. General Fund accounts receivable consist mainly of rents and transportation (cruise ships) revenues. The enterprise funds reflect customer accounts receivable for goods and services rendered. Internal Service Fund accounts receivable balance consists of excess claims paid but receivable from insurance carriers. Intergovernmental receivable consists primarily of Federal, state and local grants; various state shared revenues; and state contributions to the Police Officers and Firefighters retirement plan.

The Community Development Office Special Revenue Fund exists to account for grant revenues available to finance the development of the City's economic environment. Mortgage receivables under these programs are presented in more detail below. The allowance for uncollectible accounts of \$ 1,116,818 shown below is related to grant provisions allowing for contractual forgiveness of repayment.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

### 3. Receivables and Deferred Inflows of Resources

Detailed information on Community Development Office Fund mortgages receivable appears below:

Frederick Douglas Square Project (HODAG)	\$ 2,233,636
Homebuyer Assistance Program	179,633
Mayor's Revolving Loan Fund (low interest)	<u>79,359</u>
Gross mortgages receivable	2,492,628
Less allowance for uncollectible mortgages	<u>1,116,818</u>
Net mortgages receivable	<u><u>\$ 1,375,810</u></u>

#### COMPONENT UNIT:

Accounts receivable represent amounts due from tenants (dwelling rents) of \$ 41,231, net of allowance for uncollectibles of \$ 1,494. Intergovernmental receivables of \$ 1,525,343 represent amounts due from the Federal and other governments.

### 4. Capital Assets

Capital asset activity for fiscal year ended September 30, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>CIP/ Adjustments Increases (Decreases)</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 53,186,804	\$ 2,713,076	\$ -	\$ -	\$ 55,899,880
Construction in progress	<u>4,343,478</u>	<u>2,745,787</u>	<u>-</u>	<u>(3,853,657)</u>	<u>3,235,608</u>
Total capital assets, not being depreciated	<u>57,530,282</u>	<u>5,458,863</u>	<u>-</u>	<u>(3,853,657)</u>	<u>59,135,488</u>
Capital assets, being depreciated:					
Buildings and improvements	13,950,991	5,756,854	(1,613,357)	(49,873)	18,044,615
Machinery, equipment and furniture	19,087,529	2,595,606	(826,355)	-	20,856,780
Infrastructure	<u>41,945,261</u>	<u>1,095,256</u>	<u>(119,015)</u>	<u>3,903,530</u>	<u>46,825,032</u>
Total capital assets, being depreciated	<u>74,983,781</u>	<u>9,447,716</u>	<u>(2,558,727)</u>	<u>3,853,657</u>	<u>85,726,427</u>
Less accumulated depreciation for:					
Buildings and improvements	7,330,782	426,438	(1,570,603)	-	6,186,617
Machinery, equipment and furniture	14,792,585	1,725,676	(791,322)	-	15,726,939
Infrastructure	<u>22,366,317</u>	<u>1,748,234</u>	<u>(93,622)</u>	<u>-</u>	<u>24,020,929</u>
Total accumulated depreciation	<u>44,489,684</u>	<u>3,900,348</u>	<u>(2,455,547)</u>	<u>-</u>	<u>45,934,485</u>
Total capital assets, being depreciated, net	<u>30,494,097</u>	<u>5,547,368</u>	<u>(103,180)</u>	<u>3,853,657</u>	<u>39,791,942</u>
Governmental activities capital assets, net	<u><u>\$ 88,024,379</u></u>	<u><u>\$ 11,006,231</u></u>	<u><u>\$ (103,180)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 98,927,430</u></u>

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**4. Capital Assets (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>CIP/ Adjustments Increases (Decreases)</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 18,681,034	\$ -	\$ -	\$ -	\$ 18,681,034
Construction in progress	6,784,399	6,917,723	-	(4,223,472)	9,478,650
Total capital assets, not being depreciated	<u>25,465,433</u>	<u>6,917,723</u>	<u>-</u>	<u>(4,223,472)</u>	<u>28,159,684</u>
Capital assets, being depreciated:					
Buildings and improvements	48,571,007	-	(3,859,176)	1,085,509	45,797,340
Infrastructure	153,192,955	12,263	(906,611)	3,137,963	155,436,570
Machinery, equipment and furniture	17,210,390	90,757	(384,835)	-	16,916,312
Total capital assets, being depreciated	<u>218,974,352</u>	<u>103,020</u>	<u>(5,150,622)</u>	<u>4,223,472</u>	<u>218,150,222</u>
Less accumulated depreciation for:					
Buildings and improvements	28,726,032	1,840,803	(3,858,180)	-	26,708,655
Infrastructure	51,296,116	5,759,310	(903,341)	-	56,152,085
Machinery, equipment and furniture	15,238,082	512,898	(384,771)	-	15,366,209
Total accumulated depreciation	<u>95,260,230</u>	<u>8,113,011</u>	<u>(5,146,292)</u>	<u>-</u>	<u>98,226,949</u>
Total capital assets, being depreciated, net	<u>123,714,122</u>	<u>(8,009,991)</u>	<u>(4,330)</u>	<u>4,223,472</u>	<u>119,923,273</u>
Business-type activities capital assets, net	<u>\$ 149,179,555</u>	<u>\$ (1,092,268)</u>	<u>\$ (4,330)</u>	<u>\$ -</u>	<u>\$ 148,082,957</u>

Total depreciation expense for the current fiscal year amounted to \$ 12,013,359. The estimated useful lives of the City's capital assets are as follows:

Buildings and improvements	10-30 years
Machinery, equipment and furniture	3-10 years
Infrastructure	30-50 years

For the year ended September 30, 2013, depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 1,996,072
Public safety	1,077,592
Transportation	483,927
Culture and recreation	342,522
Human services	<u>235</u>
Total depreciation expense - governmental activities	<u>\$ 3,900,348</u>

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013

**4. Capital Assets (continued)**

Business-type activities:	
Sanitary sewer system	\$ 4,503,073
Stormwater	1,399,759
Key West Bight	876,950
Solid waste	632,428
Garrison Bight	374,615
Transit system	<u>326,186</u>
 Total depreciation expense - business-type activities	 \$ <u><u>8,113,011</u></u>

**COMPONENT UNIT:**

The following summarizes capital assets from The Housing Authority of the City of Key West, Florida's proprietary fund at December 31, 2012:

Building and improvements	\$ 64,905,781
Equipment	1,296,144
Infrastructure	<u>1,167,753</u>
	67,369,678
 Less accumulated depreciation	 <u>25,013,068</u>
	42,356,610
 Land	 10,748,552
Construction in progress	<u>678,680</u>
 Net capital assets	 \$ <u><u>53,783,842</u></u>

Total depreciation expense for the current fiscal year amounted to \$ 1,649,580. The estimated useful lives of the Authority's capital assets are as follows:

Buildings and improvements	15-40 years
Equipment	5-10 years
Infrastructure	30-50 years

**5. Restricted Assets**

The Sanitary Sewer System has restricted assets of \$ 548,552 that are restricted by specific provisions of bond ordinances. The Solid Waste Fund has restricted assets of \$ 104,537 and \$ 180,131 as part of its landfill post closure care requirements and impact fee usage restrictions, respectively. Assets so designated are identified as restricted assets on the balance sheet and statement of net position, as applicable.

Restricted assets of the component unit consists of bank accounts that have been established in order to ensure the availability of funds to repay tenant security deposits, pay housing assistance payments to landlords and accounts established for certain escrow purposes in connection with certain debt issues.



**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**6. Pension Plans**

**General Employees Retirement Plan and Police Officers and Firefighters Retirement Plan:**

**Plan descriptions** - The City contributes to two single-employer defined benefit pension plans: the General Employees Retirement Plan and the Police Officers and Firefighters Retirement Plan. Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. Part II of the Code of Ordinances, Title I (Administration), Section 5 (Pension) assigns the sole and exclusive administration of and the responsibility for the proper effective operation of the retirement plans to the Board of Trustees of each retirement plan. All changes recommended by the board are subject to City Commission approval. Both retirement boards issue a publicly available report that includes financial statements and required supplementary information. Either financial report may be obtained by writing to Pension Plan Administrator, Post Office Box 1409, Key West, Florida 33041-1409.

**Summary of significant accounting policies** - The financial statements of the plans are prepared using the accrual basis of accounting. The Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plans are recognized when due and the Employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at their estimated fair value. Fair value is defined as the amount the plan would realize from a current sale to a willing buyer and is based on available market values. These retirement plans do not have long-term contracts for contributions.

**Funding policy and annual pension cost** - The Board of Trustees make plan amendment recommendations to the City Commission for approval. Employees' contribution rates are established through collective bargaining agreements. The City's contribution rate is determined annually through an actuarial evaluation. The Police Officers and Firefighters Retirement Plan also receives contributions from the State of Florida. The City received \$ 686,009 from the State that was generated from the insurance premium tax as part of the required funding for the Police and Firefighters Retirement Plan and recorded revenues and expenditures in the General Fund, as appropriate. The City's annual pension cost for the year ended September 30, 2013 and related information for the plans are provided herein.

For the year ended September 30, 2013, the retirement plans contribution rates are as follows:

	<b>General Employees Retirement Plan</b>	<b>Police Officers and Firefighters Retirement Plan</b>
Contribution rates:		
City	9.9%	30.6%
State	0.0%	5.4%
Plan members	6.0%	7.0%



**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013

**6. Pension Plans (continued)**

The General Fund is typically used to liquidate the annual net pension obligations of the City.

	<b>General Employees Retirement Plan</b>	<b>Police Officers and Firefighters Retirement Plan</b>
Annual Required Contribution (ARC)	\$ 987,241	\$ 3,468,100
Interest on net pension obligation (asset)	(251,651)	(43,968)
Adjustments to ARC	<u>279,364</u>	<u>50,596</u>
Annual pension cost	1,014,954	3,474,728
City and state contributions	<u>(952,716)</u>	<u>(3,468,100)</u>
(Increase) decrease in net pension obligation (asset)	62,238	6,628
Net pension obligation (asset), beginning of year	<u>(3,145,635)</u>	<u>(556,555)</u>
Net pension obligation (asset), end of year	\$ <u><u>(3,083,397)</u></u>	\$ <u><u>(549,927)</u></u>

For the year ended September 30, 2013, the contribution information is as follows:

	<b>General Employees Retirement Plan</b>	<b>Police Officers and Firefighters Retirement Plan</b>
Actuarial valuation date	10/01/2012	10/01/2012
Actuarial cost method	Aggregate *	Entry age normal
Amortization method	N/A	Layered amortization
Remaining amortization period	N/A	6 - 30 years
Equivalent single amortization period	N/A	27.827 years
Asset valuation method	5-year smoothed market	5-year smoothed market

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013

**6. Pension Plans (continued)**

	<b>General Employees Retirement Plan</b>	<b>Police Officers and Firefighters Retirement Plan</b>
Actuarial assumptions:		
Investment rate of return	8.0%	7.9%
Projected salary increases	6.0%-25.0%	5.0%
Includes inflation at	4.0%	4.0%
Cost-of-living adjustment	None	None
Changes since last valuation	None	None

\* Because the aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method to serve as a surrogate for the funded status and funding progress of the plan.

**Three-Year Trend Information:**

<b><u>Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percent of APC Contributed</u></b>	<b><u>Net Pension Obligation (Asset)</u></b>
<b><u>General Employees Retirement Plan :</u></b>			
09/30/11	\$ 708,043	160 %	\$ (3,136,800)
09/30/12	\$ 870,173	101 %	\$ (3,145,635)
09/30/13	\$ 1,014,954	94 %	\$ (3,083,397)

<b><u>Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percent of APC Contributed</u></b>	<b><u>Net Pension Obligation (Asset)</u></b>
<b><u>Police Officers and Firefighters Retirement Plan :</u></b>			
09/30/11	\$ 2,877,330	100 %	\$ (563,263)
09/30/12	\$ 3,220,999	100 %	\$ (556,555)
09/30/13	\$ 3,474,728	100 %	\$ (549,927)

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**6. Pension Plans (continued)**

Schedule of Funding Progress:

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. An analysis of funding progress (the last plan year valuation date) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u><b>General Employees Retirement Plan (dollars in thousands):</b></u>						
10/01/12	\$ 39,561	\$ 38,913	\$ (648)	101.7%	\$ 9,945	(6.5)%
<u><b>Police Officers and Firefighters Retirement Plan (dollars in thousands):</b></u>						
10/01/12	\$ 55,193	\$ 76,528	\$ 21,335	72.1%	\$ 9,634	221.5%

A net pension asset has been recorded in the government-wide statements in accordance with the net pension valuations amounting to \$ 3,633,324.

**COMPONENT UNIT:**

**Retirement System for Employees of The Housing Authority of the City of Key West, Florida**

**Plan description** - The Authority maintains a single-employer defined benefit pension plan (the "Plan") administered by a Board of Trustees. Retirement, disability, and death benefits are provided to plan members and beneficiaries. KWHHA holds the authority to establish and amend benefit provisions. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to The Housing Authority of the City of Key West, Florida, 1400 Kennedy Drive, Key West, Florida 33045.

**Summary of significant accounting policies** - The Plan uses the accrual basis of accounting. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at their estimated fair value. The investments are valued at the last reported sales price. The Plan does not have any long-term contracts for contributions.

**Funding policy and annual pension cost** - The contribution requirement of the KWHHA's Plan is approved annually by the KWHHA Board of Commissioners. Plan members shall not make any contributions to the Plan. KWHHA is required to contribute at an actuarially determined rate; the current rate is 15.9% of covered payroll. KWHHA's annual pension cost for the year ended December 31, 2012 and related information for the Plan is provided herein.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013

**6. Pension Plans (continued)**

For the year ended December 31, 2012, the retirement plan costs are as follows:

	<b>Housing Authority Employees Retirement Plan</b>
	<u>                    </u>
Contribution rate - KWA	15.9%
Annual KWA pension cost	\$ 445,769
KWA contribution made	\$ 456,928

For the year ended December 31, 2012, the contribution information is as follows:

Annual Required Contribution (ARC)	\$ 443,829
Interest on net pension obligation (asset)	(17,582)
Adjustments to ARC	<u>19,522</u>
Annual pension cost	445,769
KWA contributions	<u>(456,928)</u>
(Increase) decrease in net pension obligation (asset)	(11,159)
Net pension obligation (asset), beginning of year	<u>(219,776)</u>
Net pension obligation (asset), end of year	\$ <u><u>(230,935)</u></u>
Actuarial valuation date	01/01/12
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	23 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.50%
Includes inflation at	3.50%
Cost-of-living adjustment	1.50%
Change since last valuation	None

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013

**6. Pension Plans (continued)**

**Three-Year Trend Information:**

<u><b>Year Ending</b></u>	<u><b>Annual Pension Cost (APC)</b></u>	<u><b>Percent of APC Contributed</b></u>	<u><b>Net Pension Obligation (Asset)</b></u>
<i><b>Housing Authority Employees Retirement Plan :</b></i>			
12/31/10	\$ 472,739	100%	\$ (194,196)
12/31/11	\$ 455,852	106%	\$ (219,776)
12/31/12	\$ 445,769	103%	\$ (230,935)

**Schedule of Funding Progress:**

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. An analysis of funding progress (the last three plan year's valuation dates) is as follows:

<u><b>Actuarial Valuation Date</b></u>	<u><b>Actuarial Value of Assets (a)</b></u>	<u><b>Actuarial Accrued Liability (AAL) (b)</b></u>	<u><b>Unfunded/ (Overfunded) AAL (UAAL) (b-a)</b></u>	<u><b>Funded Ratio (a/b)</b></u>	<u><b>Covered Payroll (c)</b></u>	<u><b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b></u>
<i><b>Housing Authority Employees Retirement Plan (dollars in thousands) :</b></i>						
01/01/11	\$ 4,831	\$ 6,825	\$ 1,994	70.8%	\$ 3,140	63.5%
01/01/12	\$ 5,211	\$ 7,191	\$ 1,980	72.5%	\$ 2,873	68.9%
01/01/13	\$ 5,571	\$ 7,730	\$ 2,159	72.1%	\$ 2,784	77.6%

**7. Other Post-Employment Health Care Benefits**

GASB Statement No. 45: *Accounting for Financial Reporting by Employers for Postemployment Benefits Other than Pensions* ("OPEB"), establishes accounting standards for postretirement benefits. The statement does not require funding of OPEB expense, but any difference between the annual required contribution ("ARC") and the amount funded during the year is required to be recorded in the employer's Statement of Net Position as an increase (or decrease) in the cumulative OPEB obligation. Recognition of the liability accumulated for prior years is phased in over 30 years, commencing with the 2009 liability.

**Plan Description and Funding Policy**

Employees who retire from the City and their dependents are eligible to continue to participate ("single employer plan") in the City's health insurance plan (medical and prescription) currently offered through the City at the "blended" employee group rate, which is determined annually by the City. The retiree must continue to meet all participation requirements and pay all applicable premiums by the specified due date. Life insurance and dental benefits are portable and the retiree must pay premiums to the carrier directly. As of September 30, 2013, there are 22 participating retirees in the group health program.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. Other Post-Employment Health Care Benefits (continued)**

The City provides no funding for any portion of the premiums after retirement. However, the City recognizes that there is an "implicit subsidy" arising as a result of the blended rate premium since retiree health care costs, on average, are higher than active employee healthcare costs. The plan is not accounted for as a trust fund and an irrevocable trust has not been established to fund this plan. The plan does not issue a separate financial report. It is the City's current policy to fund the plan on a "pay-as-you-go" basis.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the City's annual OPEB cost for the year, the amount contributed, and the change in the net OPEB obligation.

Required Contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Annual required contribution	\$ 852,798
Interest on net OPEB obligation	78,488
Adjustment to annual required contribution	(109,109)
Annual OPEB cost	<u>822,177</u>
Estimated employer contributions	<u>(307,252)</u>
Increase in net OPEB obligation	<u>514,925</u>
Net OPEB obligation, beginning of year	1,962,201
Net OPEB obligation, end of year	<u><u>\$ 2,477,126</u></u>

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the Plan, the net OPEB obligation and trend information are as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/11	\$ 684,761	17%	\$ 1,386,360
09/30/12	\$ 707,926	19%	\$ 1,962,201
09/30/13	\$ 822,176	37%	\$ 2,477,126

Other post-employment benefit obligations attributable to governmental activities are generally liquidated by the General Fund or by the appropriate proprietary fund for business-type activities.

Funding Status and Funding Progress:

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. An analysis of funding progress (the last plan year valuation date) is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded/ (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
09/30/13	\$ -	\$ 6,878,156	\$ 6,878,156	0.0%	\$ 24,417,348	28.2%

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**7. Other Post-Employment Health Care Benefits (continued)**

The actuarial valuation for the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information, is designed to provide multiyear trend information to show whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. However, the City has not contributed assets to the plan at this time.

*Actuarial Methods and Assumptions*

Projections of benefits are based on the substantive plan and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the Plan members at that point. Actuarial calculations reflect a long term perspective and employ methods and assumptions that are designed to reduce the short term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for the valuation are as follows:

Measurement Date:	September 30, 2013
Actuarial Cost Method:	Projected Unit Credit (level dollar)
Amortized Method:	Level dollar, open
Remaining Amortized Period:	30 years
Asset Valuation Method:	Not applicable
Actuarial Assumptions:	
Return on plan assets	Not applicable
Salary scale	Not applicable
Discount Rate	4.00%
Inflation Rate	7.50% in 2013 graded down to 4.50% in 2019.
Changes since last valuation	Mortality updated to 2013 tables.

**8. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All assets and income of Internal Revenue Code Section 457 deferred compensation plan are held in trust, custodial accounts, or annuity contracts, for the exclusive benefit of the participants and their beneficiaries. Private corporations under contracts with the City administer the assets of the City's plan. Consequently, those plan assets and liabilities are not recorded on the City's financial statements.



**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**9. Risk Management**

**General Liability, Property, Worker Compensation and Other Claims** - The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On February 1, 1978, the City established a self-insurance program for workers' compensation. The Insurance Programs Fund, an internal service fund, was created to account for and finance uninsured risks of loss. On October 1, 1988, the Insurance Programs Fund was expanded to include the City's liability and property insurance. During fiscal year 2013, a total of approximately \$ 1,749,000 was incurred/paid in benefits and claims. In fiscal year 2013, the fund provided coverage up to \$ 325,000 for each worker's compensation claim, \$ 100,000 per occurrence for public officials, general liability, and employee benefits liability, \$ 25,000 per claim for crime coverage, \$ 100,000 for each auto/general liability claim, and \$ 25,000 for each property claim other than wind and flood. In general, the City purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded the commercial coverage in any of the past three years.

Self-insurance retention, per occurrence, for wind is 5% of building and/or contents with a \$ 35,000 minimum. Self-insurance retention, per occurrence, for flood is 5% or excess amount as covered by the National Flood Insurance Program with a \$ 5,000,000 annual limit.

For additional information, the reader should review the certificates of insurances which are available at the City upon request.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

All funds of the City participate in the program and make payments to the Insurance Programs Fund based on estimates of the amounts needed to pay prior and current year claims, establish reserves for future claims and provide for administrative costs of the program. Interfund premiums are based upon the insured funds' number of employees and value of facilities and are reported as quasi-external interfund transactions. A liability for workers' compensation, general liability and property claims of \$ 2,785,000 is reported in the fund at September 30, 2013. This amount has been discounted to present value at an assumed investment rate of 3.0%, and an approximate 75% confidence level. Changes in the fund's workers compensation, general liability and property claims on an undiscounted basis during the past three years are as follows (in thousands):

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims Incurred</u>	<u>Estimated Prior Claims</u>	<u>Claims Paid and Adjustments</u>	<u>Ending Liability</u>
2011	\$ 5,055	\$ 825	\$ (2,443)	\$ 504	\$ 3,941
2012	\$ 3,941	\$ 844	\$ 1,545	\$ (2,590)	\$ 3,740
2013	\$ 3,740	\$ 825	\$ (2,765)	\$ 1,067	\$ 2,867



**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**9. Risk Management (continued)**

**Health Insurance** - The Insurance Programs Fund is also used to fund monthly health insurance premiums. In April 1997, the City converted from a flexible funded health insurance program to a fully insured pay-as-you-go program. The Insurance Programs Fund receives its health insurance contributions from bi-weekly payroll deductions and employer contributions, which are sufficient to meet its monthly premium requirements.

**10. Accrued Compensated Absences**

At September 30, 2013, compensated absences are based on actual earned hours times pay rates in effect at year-end. These amounts are recorded in the governmental fund financial statements for those employees who have terminated their employment as of the end of the fiscal year. In the proprietary fund financial statements, compensated absences are fully recorded and classified as current and long-term based on their expected repayment schedule. The Statement of Net Position, at the government-wide financial statements level, reports the liability when earned for both governmental activities and business-type activities. These amounts are then classified as current or long-term depending upon expected repayment terms. Total accrual at September 30, 2013 was \$ 3,656,313 for all funds.

The General Fund is used to liquidate the liability for compensated absences for those governmental activities.

**11. Construction And Other Significant Commitments**

**A. Construction Commitments**

The following table presents the approximate significant construction commitments outstanding at September 30, 2013:

	<u>Estimated Remaining Construction Commitment</u>
<b>Infrastructure Surtax Fund:</b>	
Police Station Window Replacement	\$ 297,000
Truman Waterfront Development	\$ 129,000
Indigenous Park Master Plan	\$ 125,000
<b>Gas Tax Fund:</b>	
South Roosevelt Boulevard Engineering	\$ 112,000
Repaving Program	\$ 193,000
<b>Fort Taylor Fund:</b>	
Smathers Beach	\$ 143,000
<b>Capital Projects Fund:</b>	
New City Hall	\$ 1,410,000

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**11. Construction And Other Significant Commitments (continued)**

	<u>Estimated Remaining Construction Commitment</u>
<b>Sanitary Sewer System Fund:</b>	
N. Roosevelt Force Main	\$ 461,000
Lift Station V.F.D. Project	\$ 171,000
<b>Stormwater Fund:</b>	
George Street Basin Outfall	\$ 526,000
<b>Solid Waste Fund:</b>	
Southernmost Waste Project	\$ 1,167,000
<b>Key West Bight Fund:</b>	
Key West Bight Improvements	\$ 173,000
<b>Transit System Fund:</b>	
Bus Farm Facility	\$ 334,000
<b>Bahama Village Fund:</b>	
St. James Baptist Church Project	\$ 974,000
<b>Caroline Street Fund:</b>	
Trumbo Road Enhancement	\$ 144,000

**B. Landfill Closure**

The City had previously received notification from the Florida Department of Environmental Protection (FDEP) that its landfill had been considered officially closed as of April 26, 1996. For the current year, for FDEP financial assurance costs estimate purposes, the City chose to update the maximum cost estimate by using an inflationary factor of 1.02%. By using this factor, the City reported to the FDEP an inflation adjusted long-term care cost estimate of \$ 282,501 for the remaining 3 years. In accordance with the landfill long-term care escrow agreement between the City of Key West and the Florida Department of Environmental Protection, the City has set aside in a restricted cash account with First State Bank of the Florida Keys the amount of \$ 104,537 as of September 30, 2013, which represents more than the required annual amount of \$ 94,167. There were no deposits or withdrawals from this account during the fiscal year other than earned interest.

Based on historical information the City amortizes approximately \$ 40,000 per year in landfill closure cost payables (\$ 103,333 balance as of September 30, 2013) of which \$ 63,333 remain as a future long-term payable at September 30, 2013.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**11. Construction And Other Significant Commitments (continued)**

**C. Operating Leases**

The City currently has an operating lease agreement for the use of office space through December 2016, with a provision for early termination on any date on or before February 2016. The current agreement calls for rent payments of \$ 13 per square foot per year, increased by 3.0% annually, plus common area maintenance. Based on total office space available under the agreement, the current monthly installments are approximately \$ 38,000. The total rental expense in connection with this agreement in 2013 was approximately \$ 484,000. In addition, the City leases office equipment under various agreements at approximately \$ 5,100 per month, plus excess usage charges, through May 2014 and at lesser amounts thereafter until December 2016.

Minimum estimated base future rental payments relative to these agreements at September 30, 2013 are approximately as follows:

Year Ending September 30,	
2014	\$ 510,000
2015	\$ 480,000
2016	\$ 481,000
2017	\$ 98,000
Thereafter	\$ NONE

**12. Long-Term Debt and Liabilities**

The following is a summary of changes in long-term liabilities. Bonds, notes, insurance claims and compensated absences have changed as follows:

	Balance October 1, 2012	Additions	Amortization/ Retirements	Balance September 30, 2013	Due Within One Year
<b>Governmental Activities:</b>					
Note payable	\$ 1,025,580	\$ -	\$ 147,059	\$ 878,521	\$ 147,059
Insurance claims payable	3,227,120	-	442,120	2,785,000	1,749,404
Compensated absences	3,308,930	2,265,463	2,195,069	3,379,324	2,005,759
Total governmental activities	<u>\$ 7,561,630</u>	<u>\$ 2,265,463</u>	<u>\$ 2,784,248</u>	<u>\$ 7,042,845</u>	<u>\$ 3,902,222</u>
<b>Business-Type Activities:</b>					
Sewer System Refunding Revenue Bonds, Series 2003	\$ 21,730,000	\$ -	\$ 21,730,000	\$ -	\$ -
Marina Refunding Revenue Note, Series 2009	7,839,829	-	1,202,499	6,637,330	1,240,273
Sewer System Revenue Bonds, Series 2012	4,065,000	-	-	4,065,000	415,000
Sewer System Refunding Revenue Bonds, Series 2013 *	-	19,963,753	265,253	19,698,500	-
Note payable, State Revolving Loan	2,971,112	-	271,412	2,699,700	280,360
Deferred amounts:					
Issuance premiums	132,486	-	132,486	-	-
Compensated absences	246,379	215,668	185,058	276,989	160,180
Total business-type activities	<u>\$ 36,984,806</u>	<u>\$ 20,179,421</u>	<u>\$ 23,786,708</u>	<u>\$ 33,377,519</u>	<u>\$ 2,095,813</u>
Total long-term debt and liabilities	<u>\$ 44,546,436</u>	<u>\$ 22,444,884</u>	<u>\$ 26,570,956</u>	<u>\$ 40,420,364</u>	<u>\$ 5,998,035</u>

\* Zero (\$0) currently due as payment was made by the City and applied to reduce principal by the financial institution prior to the due date of October 1, 2013.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**12. Long-Term Debt and Liabilities (continued)**

Additional long-term liabilities for governmental activities include unearned revenue of \$ 1,116,818 and OPEB liability \$ 2,278,190 of (Note 7) as of September 30, 2013.

Additional long-term liabilities for business-type activities include OPEB liability (Note 7), customer deposits and landfill closure cost payable amounting to \$ 198,936, \$ 438,639 and \$ 63,333, respectively, as of September 30, 2013.

**General Obligation:**

**Promissory Note:**

A promissory note was issued for the acquisition and rehabilitation of affordable housing in the City's redevelopment district. The note is to be repaid and secured by tax increment revenue which derives from such area. Issued at not to exceed \$ 2,500,000, and fully drawn down, on October 1, 2003, the City converted the then revolving facility to a term loan at a fixed interest rate of 2.56%. This note is payable in varying annual installments of principal and interest not exceeding \$ 169,612 through its maturity on October 1, 2019.

The general obligation promissory note debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 147,059	\$ 22,553	\$ 169,612
2015	147,059	18,794	165,853
2016	147,059	15,035	162,094
2017	147,059	11,276	158,335
2018	147,059	7,518	154,577
2019	143,226	3,759	146,985
	<u>\$ 878,521</u>	<u>\$ 78,935</u>	<u>\$ 957,456</u>

**Revenue Obligation:**

**Marina Refunding Revenue Note, Series 2009:**

In December 2009, the City entered into an agreement with a bank for the issuance of the Capital Improvement/Marina Refunding Revenue Note, Series 2009 in the amount of \$ 9,142,446. The proceeds from this indebtedness were used to currently refund the then outstanding Tax-Exempt Capital Improvement/Marina Revenue Bonds, Series 1997. The then bonds were originally issued to finance the acquisition of an approximately 8.8 acre site commonly known as the Key West Bight for the public purpose of constructing marina and related facilities, public parks and conservation areas thereon.

The Capital Improvement/Marina Refunding Revenue Note, Series 2009 is payable solely and secured by a pledge of the net revenue of the facilities and the half-cent sales tax collections. Interest is due semiannually, at a rate of 3.37%, with principal due annually at installments ranging from approximately \$ 1,240,300 to \$ 1,419,800 through maturity in December 2017.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013

**12. Long-Term Debt and Liabilities (continued)**

**Sewer System Revenue Bonds, Series 2012:**

In February 2012, the City entered into agreement with a financial institution for the issuance of the Sewer System Revenue Bonds, Series 2012 in the amount of \$ 4,065,000. The proceeds from this indebtedness were used to repay a grant from the State of Florida Department of Emergency Management, the proceeds of which were used to finance the costs of certain capital improvements to the City's sewer system. Interest is due semiannually, at a rate of 2.07%, with principal due annually at installments ranging from \$ 415,000 to \$ 490,000 through maturity on October 1, 2021. These bonds were issued on a parity basis with the City's Sewer System Revenue Bonds, currently outstanding or issued hereafter.

**Sewer System Refunding Revenue Bonds, Series 2013:**

On August 22, 2013, the City issued the 2013 Series Sewer System Refunding Revenue Bonds at a par amount of \$ 19,963,753. The Bonds bear interest at 2.65% and mature in October 2026. Interest is payable semi-annually on the first date of April and October. The proceeds, along with existing sinking fund reserves, were used to currently refund the then outstanding balance of the 2003 Series Sewer System Refunding Revenue Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$ 448,401. The amount is shown on the statement of net position as deferred outflows of resources and is amortized in a systematic and rational manner over the shorter of the life of the old bond or new bond. The refunding of the Series 2003 Bonds will reduce the City's debt service payments over the next 13 years by \$ 2,638,315 with an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 2,214,635. The principal and interest are secured by a pledge of net revenues of the sewer system.

Revenue bonds/note debt service requirements to maturity, including interest are as follows:

Fiscal Year	Marina Refunding Revenue Note, Series 2009		Sewer System Revenue Bonds, Series 2012		Sewer System Refunding Revenue Bonds, Series 2013		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 1,240,273	\$ 202,779	\$ 415,000	\$ 79,850	\$ -	\$ 261,122	\$ 2,199,024
2015	1,281,571	160,286	425,000	71,156	1,287,574	505,184	3,730,771
2016	1,323,085	116,398	435,000	62,255	1,327,144	470,539	3,734,421
2017	1,372,585	70,976	440,000	53,199	1,360,626	434,926	3,732,312
2018	1,419,816	23,924	450,000	43,988	1,391,845	398,455	3,728,028
2019 - 2023	-	-	1,900,000	79,695	7,559,171	1,409,970	10,948,836
2024 - 2027	-	-	-	-	6,772,140	365,495	7,137,635
	<u>\$ 6,637,330</u>	<u>\$ 574,363</u>	<u>\$ 4,065,000</u>	<u>\$ 390,143</u>	<u>\$ 19,698,500</u>	<u>\$ 3,845,691</u>	<u>\$ 35,211,027</u>

**Continuing disclosure -** In accordance with authorizing Ordinances and to comply with the continuing disclosure requirements of the Securities and Exchange Commission, the following disclosure is provided for the Sanitary Sewer System Refunding Revenue Bonds. At September 30, 2013, the City is in compliance with all reporting and disclosure requirements. Required disclosures as of September 30, 2013, are presented below:

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**12. Long-Term Debt and Liabilities (continued)**

**Sanitary Sewer System:**

- A. During the year, there has been no material modification to, or termination of, the Navy agreement which determines the contractual obligation of the Navy as it relates to the Sewer System.
- B. During the year, the City did not issue any additional parity obligations and/or subordinated indebtedness, except for the Series 2013 Refunding Revenue Bonds.
- C. Current and proposed rate schedules:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Base charge	\$ 23.23	\$ 23.23	\$ 22.77
Commodity charge	\$ 4.60	\$ 4.60	\$ 4.51

- D. Required historical debt service coverage information is presented in the statistical section of this report (Table 16).

**Note Payable – State of Florida, Department of Environmental Protection – State Revolving Loan:**

In connection with the City's Advanced Wastewater Treatment Facility, the City qualified for the Florida State Revolving Loan Fund program in tandem with the Sewer System Revenue Bonds. Total principal draws amounted to (at present value) \$ 5,172,648 through fiscal year 2002, which agreed to the maximum amount available under this agreement. The City pays annual installments of \$ 366,367 through February 2022, with interest payable at a 3.28% fixed rate. This facility is in junior position to the Sewer System Refunding Revenue Bonds, Series 2012 and 2013.

State revolving loan debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 280,360	\$ 86,007	\$ 366,367
2015	289,603	76,764	366,367
2016	299,149	67,218	366,367
2017	309,013	57,354	366,367
2018	319,201	47,166	366,367
2019-2022	1,202,374	79,911	1,282,285
	<u>\$ 2,699,700</u>	<u>\$ 414,420</u>	<u>\$ 3,114,120</u>

**Conduit debt obligation -** The City through the Local Redevelopment Agency entered into an agreement to purchase certain housing facilities from the U.S. Navy known as "Poinciana Complex." This agreement was subsequently assigned to The Housing Authority of the City of Key West, Florida (the "Authority"). The Authority entered into a first mortgage and security agreement amounting to \$ 16,000,000 under the Section 108 loan program from the Department of Housing and Urban Development to acquire the housing complex. In addition, the Authority entered into agreement with a local government agency in the principal amount of \$ 2,210,000 in order to facilitate the acquisition of the complex. The purchase closed in January 2004.



**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013

**12. Long-Term Debt and Liabilities (continued)**

Under the \$ 16,000,000 mortgage note, the City entered into a guarantee and inter-local agreement with the Authority. The City is not liable on the note, as repayment of the note is the responsibility of the Authority and is secured by a mortgage on the housing facility. The note will be repaid from revenues generated from the operation of the development. However, the City does have the responsibility to refund any withdrawals from the debt service reserve account if the Authority cannot meet the maximum required amount within the restoration period. The City maintains recourse against the Authority. Based on these circumstances, the City considers this to be conduit debt and accordingly, it is not recorded on the City's books.

**COMPONENT UNIT:**

The following is a summary of changes in long-term debt and liabilities for the Authority for the year ended December 31, 2012:

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	Due Within One Year
Notes payable	\$ 7,138,379	\$ -	\$ 78,834	\$ 7,059,545	\$ 82,144
Revenue notes	25,531,498	9,395,000	10,076,236	24,850,262	920,394
Compensated absences	291,408	169,315	143,128	317,595	31,760
OPEB liability	77,852	14,558	-	92,410	-
Total long-term debt and liabilities	\$ 33,039,137	\$ 9,578,873	\$ 10,298,198	\$ 32,319,812	\$ 1,034,298

Notes as of December 31, 2012, are comprised of the following:

Notes Payable Description:

Multifamily Housing Revenue Bond, Series 2010, in the principal amount of \$ 1,759,000. The bond is amortized over a 20-year period and bears interest at 4.56%. The bond is due in August 2030. In addition, The Authority borrowed \$ 1,636,000 (two notes) from the Monroe County Comprehensive Plan Land Authority in order to acquire the property "Washington Street." These loans do not bear interest and mature in 30 years.

\$ 3,257,271

Second mortgage note due to a governmental agency, collateralized by land, project improvements, and all other fixtures and personal property located on the land, "Home Investment Partnerships Program," payable in full in April 2018, non-interest bearing.

1,819,720

Mortgage note due to a governmental agency, collateralized by land, "Key Plaza Site B," payable in full in May 2031, non-interest bearing.

1,500,000

First mortgage note due to a governmental agency, collateralized by land, "Key Plaza Site A - Home Investment Partnerships Program," payable in full in April 2018, non-interest bearing.

382,554

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**12. Long-Term Debt and Liabilities (continued)**

First mortgage note due to a local government, collateralized by land, "Roosevelt Gardens," principal to be forgiven in \$ 20,000 increments until December 2017, non-interest bearing.	100,000
	\$ <u>7,059,545</u>

Revenue Notes as of December 31, 2012 are comprised of the following:

Revenue Notes Description:

First mortgage and security agreement related to its Housing Revenue Note Series 2003 in the principal amount of \$ 16,000,000 to acquire the housing complex known as "Poinciana Complex." This note is due in varying annual installments through August 2023 bearing interest at 5.28%. As noted previously, the City of Key West entered into a guarantee agreement whereby funds will be advanced if the debt service reserve cannot be restored to its maximum within its prescribed period.

\$ 11,792,000

Multifamily Housing Revenue Notes amortized over a 30-year period and bearing interest at 4.25%. These notes are due in December 2014 and are collateralized by the land, project improvements and property located on the land "Roosevelt Gardens." Series 2002 in the original amount of \$ 9,850,000 and Series 2003 in the original amount of \$ 2,000,000.

9,229,362

Second mortgage payable to a local government agency to facilitate the acquisition of the "Poinciana Complex", as previously discussed, and under the long-term debt and liability section of the primary government. This note is non-interest bearing and is due in January 2034. Collateralized by the land, project improvements and property located on the land.

2,210,000

Housing Revenue Bond, Series 2009, issued to a local banking institution in the principal amount of \$ 2,900,000 to demolish existing structures and construct new rental units on the site "Key Plaza Site B." Collateralized by first mortgage on land, project improvements and property located on the land; bearing interest at rates ranging from 4.00% to 4.75%. The bond is amortized over a 25-year period with a 7-year balloon. At December 31, 2012, the Authority has drawn down proceeds of \$ 1,618,900.

1,618,900

\$ 24,850,262



**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013

**12. Long-Term Debt and Liabilities (continued)**

The anticipated debt service under all agreements discussed for the component unit are as follows:

Fiscal Year	Notes Payable		Revenue Notes	
	Principal	Interest	Principal	Interest
2013	\$ 82,144	\$ 72,645	\$ 920,394	\$ 1,113,388
2014	84,440	69,779	966,095	1,069,034
2015	87,440	66,778	1,012,689	1,021,733
2016	90,580	63,638	1,061,768	970,902
2017	93,866	60,352	1,113,350	916,672
2018-2022	2,625,938	302,781	7,779,897	3,383,165
2023-2027	532,632	138,459	5,179,089	1,327,204
2028-2032	1,826,505	20,226	2,276,155	712,993
2033-2037	-	-	4,540,825	209,253
2038-2042	1,636,000	-	-	-
	<u>\$ 7,059,545</u>	<u>\$ 794,658</u>	<u>\$ 24,850,262</u>	<u>\$ 10,724,344</u>

**13. Interfund Assets and Liabilities**

A summary of interfund receivable and payable balances at September 30, 2013 are as follows:

Interfund Items (current)	Receivables	Payables
Governmental Funds:		
General	\$ 535,433	\$ -
Gas Tax	423	500,000
Nonmajor funds	803	-
Enterprise Funds:		
Sanitary Sewer System	338	-
Solid Waste	930	-
Key West Bight	1,564	-
Stormwater	42	-
Nonmajor funds	2,537	-
Internal Service Fund:		
Insurance Programs	-	42,070
Totals	<u>\$ 542,070</u>	<u>\$ 542,070</u>

The receivable balance in the General Fund is a result of overfunding the Insurance Programs Fund and a short-term advance made to the Gas Tax Fund to cover for temporary cash deficits at year-end. All of the above amounts are expected to be repaid shortly after year-end from available current assets, including governmental receivables from Federal and State sources.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**13. Interfund Assets and Liabilities (continued)**

A summary of advances (receivables and payables) at September 30, 2013 are as follows:

<u>Advances (long-term)</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General	\$ 1,910,786	\$ -
Enterprise Funds:		
Sanitary Sewer System	2,002,861	-
Key West Bight	164,986	-
Stormwater	-	3,913,647
Nonmajor funds	-	164,986
	<u>                    </u>	<u>                    </u>
Totals	\$ <u>4,078,633</u>	\$ <u>4,078,633</u>

The advance in the General Fund is owed by the Stormwater Fund in connection with prior year's working capital needs. The receivable balance in the Sanitary Sewer System Fund is primarily due to long-term advances made to the Stormwater Fund in connection with construction projects. The Nonmajor Enterprise Fund, the Transit System Fund, owes the Key West Bight Fund for rents as a result of a portion of its Park-n-Ride lot built on Key West Bight property. The above amounts are repaid as excess cash flows become available in the debtor fund.

**14. Interfund Transfers**

A summary of interfund transfers for the year ended September 30, 2013 is as follows:

<u>Transfers</u>	<u>In</u>	<u>Out</u>
Governmental Funds:		
General	\$ 5,660,845	\$ 8,120,335
Gas Tax	1,250,000	521,527
Infrastructure Surtax	414,000	2,198,720
Capital Projects	7,500,000	90,652
Nonmajor funds	1,655,289	1,298,112
Enterprise Funds:		
Sanitary Sewer System	-	1,342,614
Solid Waste	-	1,386,891
Key West Bight	-	667,133
Stormwater	-	474,703
Nonmajor funds	419,952	491,055
Internal Service Fund:		
Insurance Programs	-	308,344
	<u>                    </u>	<u>                    </u>
Totals	\$ <u>16,900,086</u>	\$ <u>16,900,086</u>

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

#### **14. Interfund Transfers**

The General Fund received \$ 4,362,396 from the Enterprise Funds for payments in lieu of taxes; \$ 625,000 from the Infrastructure Surtax Fund representing 10% of the budgeted discretionary sales surtax revenues to be used for any lawful purpose; and \$ 673,449 from various funds for the cost allocation and recovery of its services. The Gas Tax Fund received \$ 1,250,000 from the Infrastructure Surtax Fund for various infrastructure projects. The Infrastructure Surtax Fund received \$ 414,000 from the Fort Taylor Fund for beach renourishment projects. The Capital Projects Fund received \$ 7,500,000 from the General Fund for funds in connection with the sale of property located at 529 Front Street. The Bahama Village Fund (nonmajor fund) received its annual transfer \$ 282,181 for tax increment funding from the General Fund; and received \$ 200,696 from the Infrastructure Surtax Fund for projects related to Nelson English Park and Willie Ward Park. The Caroline Street Fund (nonmajor fund) received its annual transfer \$ 338,154 for tax increment funding from the General Fund; and received \$ 834,258 from the Bahama Village Fund for the transfer of fund balance and to commence the new Caroline Street Fund. In addition, the Transit System Fund (nonmajor fund) received \$ 419,952 from the Gas Tax Fund to subsidize transit programs/projects.

#### **15. Contingencies**

The City is a defendant in several personal injury, workers' compensation, and other litigation incidental to its routine operations. Annually, the City undergoes an actuarial study to determine the funding necessary to allow for current and future losses. The City has established a general liability account within the Insurance Internal Service Fund and has reflected its best estimates of such liabilities.

In addition, due to land use plan and rate of growth of ordinance restrictions, from time to time the City is involved in actions for limiting the ability to use certain properties. Due to the uncertainty of the outcome, and the inability to estimate potential losses, no provision has been recorded in the financial statements.

An action was brought against the City on behalf of certain North Stock Island property owners who allege that the City's imposition of stormwater utility user fees constitutes an illegal tax. The court ruled the City cannot collect a fee, but did not determine the amount of fees to be refunded. The City has authorized an appeal once the amount of the refund is determined. In the event of an adverse outcome, the potential loss is estimated to be between \$ 350,000 and \$ 400,000. In addition, a similar action was brought against the City by a homeowners' association; however, at this time the potential loss cannot be reasonably estimated.

Certain claims against the City have been filed by a former employee under the Florida Whistleblower's Act. The plaintiff is seeking reinstatement in addition to lost wages. Present claim is approximately \$ 350,000. A final resolution on this matter is still pending.

The City receives significant financial assistance from numerous Federal, state, and local governmental agencies in the form of grants and revenue sharing. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, if any, such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at September 30, 2013.

Estimates have been used in determining the accrual for landfill post closure care. The potential for change exists due to inflation, deflation, technology, and changes in applicable laws and regulations.

**CITY OF KEY WEST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**16. Restatement of Beginning Net Position**

For the year ended September 30, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This resulted in a decrease of \$ 339,830 to the beginning net position on the statement of activities for business-type activities to remove bond issuance costs in accordance with GASB 65. The beginning net position on the statement of revenues, expenses and changes in net position – proprietary funds was also decreased by \$ 339,830 in accordance with GASB 65.

**COMPONENT UNIT:**

During fiscal year 2012, the Authority discovered that donated properties received in the prior year were improperly valued. The properties were valued at the improved costs, when they should have been valued at the fair market value at the time the properties were donated. As of December 31, 2012, the Authority restated, and decreased, beginning net position and beginning capital assets by \$ 962,567. This net adjustment did not have a financial impact in the City's annual financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF KEY WEST, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
(Unaudited)  
**ANALYSIS OF FUNDING PROGRESS -**  
**GENERAL EMPLOYEES' PENSION TRUST FUND**  
(In Thousands)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
10/01/07	\$ 32,278	\$ 30,435	\$ (1,843)	106.1%	\$ 11,705	(15.7%)
10/01/08	\$ 35,149	\$ 32,085	\$ (3,064)	109.5%	\$ 10,982	(27.9%)
10/01/09	\$ 37,065	\$ 33,088	\$ (3,977)	112.0%	\$ 10,277	(38.7%)
10/01/10	\$ 38,582	\$ 34,789	\$ (3,793)	110.9%	\$ 9,939	(38.2%)
10/01/11	\$ 39,352	\$ 37,474	\$ (1,878)	105.0%	\$ 9,609	(19.5%)
10/01/12	\$ 39,561	\$ 38,913	\$ (648)	101.7%	\$ 9,945	(6.5%)

**CITY OF KEY WEST, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
(Unaudited)  
**ANALYSIS OF FUNDING PROGRESS -**  
**POLICE OFFICERS' AND FIREFIGHTERS' PENSION TRUST FUND**  
(In Thousands)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
10/01/07	\$ 53,303	\$ 61,829	\$ 8,526	86.2%	\$ 9,780	87.2%
10/01/08	\$ 56,358	\$ 65,189	\$ 8,831	86.5%	\$ 9,293	95.0%
10/01/09	\$ 55,884	\$ 68,384	\$ 12,500	81.7%	\$ 8,738	143.1%
10/01/10	\$ 56,361	\$ 72,192	\$ 15,831	78.1%	\$ 9,681	163.5%
10/01/11	\$ 55,594	\$ 74,581	\$ 18,987	74.5%	\$ 9,645	196.9%
10/01/12	\$ 55,193	\$ 76,528	\$ 21,335	72.1%	\$ 9,634	221.5%



**CITY OF KEY WEST, FLORIDA**  
**REQUIRES SUPPLEMENTARY INFORMATION**  
(Unaudited)  
**ANALYSIS OF FUNDING PROGRESS -**  
**PAY-AS-YOU-GO APPROACH**  
**OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS**  
(In Thousands)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
* 9/30/2009	\$ -	\$ 4,183	\$ 4,183	0.0%	\$ 19,091	21.9%
9/30/2011	\$ -	\$ 5,077	\$ 5,077	0.0%	\$ 22,518	22.5%
9/30/2013	\$ -	\$ 6,878	\$ 6,878	0.0%	\$ 24,417	28.2%

\* Year of GASB Statement No. 45 implementation.



**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



## NONMAJOR GOVERNMENTAL FUNDS OVERVIEW

### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted to expenditures for particular purposes as authorized by statutory or charter provisions. The City maintains six special revenue funds to track the following revenues and related expenditures:

**Law Enforcement Trust Fund** - To account for the proceeds from confiscated property, designated for purchase of technical equipment for the police department.

**Fort Taylor Fund** - To account for State of Florida shared revenues, Department of Natural Resources grants, together with donations, restricted for the acquisition and maintenance of salt ponds.

**Affordable Housing Escrow Fund** - To account for proceeds and disbursements associated with the acquisition, rehabilitation or any other element associated with the development of affordable housing.

**Bahama Village Fund** - To account for proceeds and disbursements associated with the acquisition of property or establishment of community development programs within the designated redevelopment area.

**Navy Pier Payments Fund** - To account for lease payments held in reserve.

**Caroline Street Fund** - To account for proceeds and disbursements associated with the acquisition of property or establishment of community development programs within the designated redevelopment area.



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**CITY OF KEY WEST, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2013**

	<u>Law Enforcement Trust Fund</u>	<u>Fort Taylor Fund</u>	<u>Special Revenue Affordable Housing Escrow Fund</u>
<b>ASSETS:</b>			
Cash, cash equivalents and investments	\$ 273,721	\$ 608,287	\$ 97,127
Receivables (net of allowance for uncollectibles):			
Intergovernmental	-	198,634	-
Interfund receivables	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<b>\$ <u>273,721</u></b>	<b>\$ <u>806,921</u></b>	<b>\$ <u>97,127</u></b>
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 63,236	\$ -
Accrued payroll	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>63,236</u></b>	<b><u>-</u></b>
<b>FUND BALANCES:</b>			
Restricted for:			
Law enforcement	273,721	-	-
Natural resources	-	743,685	-
Housing initiatives and urban redevelopment	-	-	97,127
Transportation	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total fund balances</b>	<b><u>273,721</u></b>	<b><u>743,685</u></b>	<b><u>97,127</u></b>
<b>Total liabilities and         fund balances</b>	<b>\$ <u>273,721</u></b>	<b>\$ <u>806,921</u></b>	<b>\$ <u>97,127</u></b>



**Funds**

<b>Bahama Village Fund</b>	<b>Navy Pier Payments Fund</b>	<b>Caroline Street Fund</b>	<b>Total</b>
\$ 1,637,518	\$ 2,132,251	\$ 1,490,250	\$ 6,239,154
-	-	-	198,634
-	803	-	803
<u>\$ 1,637,518</u>	<u>\$ 2,133,054</u>	<u>\$ 1,490,250</u>	<u>\$ 6,438,591</u>
\$ 98,831	\$ 408,054	\$ 6,504	\$ 576,625
-	3,388	-	3,388
<u>98,831</u>	<u>411,442</u>	<u>6,504</u>	<u>580,013</u>
-	-	-	273,721
-	-	-	743,685
1,538,687	-	1,483,746	3,119,560
-	1,721,612	-	1,721,612
<u>1,538,687</u>	<u>1,721,612</u>	<u>1,483,746</u>	<u>5,858,578</u>
<u>\$ 1,637,518</u>	<u>\$ 2,133,054</u>	<u>\$ 1,490,250</u>	<u>\$ 6,438,591</u>

**CITY OF KEY WEST, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2013**

	<b>Law Enforcement Trust Fund</b>	<b>Fort Taylor Fund</b>	<b>Special Revenue Affordable Housing Escrow Fund</b>
<b>REVENUES:</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	385,501	-
Charges for services	-	-	-
Fines and forfeitures	61,144	-	-
Investment earnings	531	2,795	265
Contributions and other	-	-	-
<b>Total revenues</b>	<b>61,675</b>	<b>388,296</b>	<b>265</b>
<b>EXPENDITURES:</b>			
Current:			
General government	-	509,916	-
Public safety	33,678	-	-
Transportation	-	-	-
Economic environment	-	-	-
Capital outlay	4,484	-	-
Debt service	-	-	-
<b>Total expenditures</b>	<b>38,162</b>	<b>509,916</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>23,513</b>	<b>(121,620)</b>	<b>265</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	(1,728)	(417,336)	-
<b>Total other financing sources (uses)</b>	<b>(1,728)</b>	<b>(417,336)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>21,785</b>	<b>(538,956)</b>	<b>265</b>
<b>FUND BALANCE, October 1</b>	<b>251,936</b>	<b>1,282,641</b>	<b>96,862</b>
<b>FUND BALANCE, September 30</b>	<b>\$ 273,721</b>	<b>\$ 743,685</b>	<b>\$ 97,127</b>

**Funds**

<b>Bahama Village Fund</b>	<b>Navy Pier Payments Fund</b>	<b>Caroline Street Fund</b>	<b>Total</b>
\$ 301,944	\$ -	\$ 361,837	\$ 663,781
-	-	-	385,501
-	576,956	-	576,956
-	-	-	61,144
4,820	19,610	2,500	30,521
-	-	-	-
<u>306,764</u>	<u>596,566</u>	<u>364,337</u>	<u>1,717,903</u>
-	-	-	509,916
-	-	-	33,678
-	5,086,587	-	5,086,587
203,109	-	25,914	229,023
154,469	-	17,879	176,832
173,221	-	-	173,221
<u>530,799</u>	<u>5,086,587</u>	<u>43,793</u>	<u>6,209,257</u>
<u>(224,035)</u>	<u>(4,490,021)</u>	<u>320,544</u>	<u>(4,491,354)</u>
482,877	-	1,172,412	1,655,289
<u>(849,608)</u>	<u>(20,230)</u>	<u>(9,210)</u>	<u>(1,298,112)</u>
<u>(366,731)</u>	<u>(20,230)</u>	<u>1,163,202</u>	<u>357,177</u>
(590,766)	(4,510,251)	1,483,746	(4,134,177)
<u>2,129,453</u>	<u>6,231,863</u>	<u>-</u>	<u>9,992,755</u>
<u>\$ 1,538,687</u>	<u>\$ 1,721,612</u>	<u>\$ 1,483,746</u>	<u>\$ 5,858,578</u>

**CITY OF KEY WEST, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**LAW ENFORCEMENT TRUST SPECIAL REVENUE FUND**  
**For the Year Ended September 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final Budget</b>
<b>REVENUES:</b>				
Fines and forfeitures	\$ -	\$ -	\$ 61,144	\$ 61,144
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>531</u>	<u>(1,469)</u>
<b>Total revenues</b>	<u>2,000</u>	<u>2,000</u>	<u>61,675</u>	<u>59,675</u>
<b>EXPENDITURES:</b>				
Operating	75,000	81,400	30,678	50,722
Capital outlay	49,275	42,875	4,484	38,391
Aid to private organizations	<u>10,000</u>	<u>10,000</u>	<u>3,000</u>	<u>7,000</u>
<b>Total expenditures</b>	<u>134,275</u>	<u>134,275</u>	<u>38,162</u>	<u>96,113</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(132,275)</u>	<u>(132,275)</u>	<u>23,513</u>	<u>155,788</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(1,728)</u>	<u>(1,728)</u>	<u>(1,728)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(1,728)</u>	<u>(1,728)</u>	<u>(1,728)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (134,003)</u>	<u>\$ (134,003)</u>	21,785	<u>\$ 155,788</u>
<b>FUND BALANCE, October 1</b>			<u>251,936</u>	
<b>FUND BALANCE, September 30</b>			<u>\$ 273,721</u>	

**CITY OF KEY WEST, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FORT TAYLOR SPECIAL REVENUE FUND**  
**For the Year Ended September 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final Budget</b>
<b>REVENUES:</b>				
Intergovernmental	\$ 357,680	\$ 357,680	\$ 385,501	\$ 27,821
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>2,795</u>	<u>(7,205)</u>
<b>Total revenues</b>	<u>367,680</u>	<u>367,680</u>	<u>388,296</u>	<u>20,616</u>
<b>EXPENDITURES:</b>				
Operating	<u>395,360</u>	<u>675,739</u>	<u>509,916</u>	<u>165,823</u>
<b>Total expenditures</b>	<u>395,360</u>	<u>675,739</u>	<u>509,916</u>	<u>165,823</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>(27,680)</u>	<u>(308,059)</u>	<u>(121,620)</u>	<u>186,439</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(3,336)</u>	<u>(417,336)</u>	<u>(417,336)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(3,336)</u>	<u>(417,336)</u>	<u>(417,336)</u>	<u>-</u>
<b>Net change in fund balance</b>	\$ <u>(31,016)</u>	\$ <u>(725,395)</u>	(538,956)	\$ <u>186,439</u>
<b>FUND BALANCE, October 1</b>			<u>1,282,641</u>	
<b>FUND BALANCE, September 30</b>			\$ <u>743,685</u>	

**CITY OF KEY WEST, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**AFFORDABLE HOUSING SPECIAL REVENUE FUND**  
**For the Year Ended September 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
				<u>Budget</u>
<b>REVENUES:</b>				
Investment earnings	\$ <u>600</u>	\$ <u>600</u>	\$ <u>265</u>	\$ <u>(335)</u>
<b>Total revenues</b>	<u>600</u>	<u>600</u>	<u>265</u>	<u>(335)</u>
<b>EXPENDITURES:</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of</b>				
<b>revenues over</b>				
<b>expenditures</b>	<u>600</u>	<u>600</u>	<u>265</u>	<u>(335)</u>
<b>Net change in</b>				
<b>fund balance</b>	\$ <u><u>600</u></u>	\$ <u><u>600</u></u>	<u>265</u>	\$ <u><u>(335)</u></u>
<b>FUND BALANCE, October 1</b>			<u>96,862</u>	
<b>FUND BALANCE, September 30</b>			\$ <u><u>97,127</u></u>	

**CITY OF KEY WEST, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BAHAMA VILLAGE SPECIAL REVENUE FUND**  
**For the Year Ended September 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final Budget</b>
<b>REVENUES:</b>				
Taxes	\$ 704,289	\$ 301,944	\$ 301,944	\$ -
Investment earnings	10,000	10,000	4,820	(5,180)
Contributions and other	-	-	-	-
<b>Total revenues</b>	<b>714,289</b>	<b>311,944</b>	<b>306,764</b>	<b>(5,180)</b>
<b>EXPENDITURES:</b>				
Operating	4,054	4,354	2,517	1,837
Capital outlay	-	1,139,360	154,469	984,891
Debt service	173,371	173,371	173,221	150
Aid to private organizations	-	658,138	200,592	457,546
<b>Total expenditures</b>	<b>177,425</b>	<b>1,975,223</b>	<b>530,799</b>	<b>1,444,424</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>536,864</b>	<b>(1,663,279)</b>	<b>(224,035)</b>	<b>1,439,244</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	602,381	482,877	482,877	-
Transfers out	(24,560)	(849,961)	(849,608)	353
<b>Total other financing sources (uses)</b>	<b>577,821</b>	<b>(367,084)</b>	<b>(366,731)</b>	<b>353</b>
<b>Net change in fund balance</b>	<b>\$ 1,114,685</b>	<b>\$ (2,030,363)</b>	<b>(590,766)</b>	<b>\$ 1,439,597</b>
<b>FUND BALANCE, October 1</b>			<b>2,129,453</b>	
<b>FUND BALANCE, September 30</b>			<b>\$ 1,538,687</b>	

**CITY OF KEY WEST, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**NAVY PIER PAYMENTS SPECIAL REVENUE FUND**  
**For the Year Ended September 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final</b>
				<b>Budget</b>
<b>REVENUES:</b>				
Charges for services	\$ 790,400	\$ 790,400	\$ 576,956	\$ (213,444)
Investment earnings	<u>50,000</u>	<u>50,000</u>	<u>19,610</u>	<u>(30,390)</u>
<b>Total revenues</b>	<u>840,400</u>	<u>840,400</u>	<u>596,566</u>	<u>(243,834)</u>
<b>EXPENDITURES:</b>				
Personnel services	74,900	74,900	76,298	(1,398)
Operating	<u>20,000</u>	<u>6,527,116</u>	<u>5,010,289</u>	<u>1,516,827</u>
<b>Total expenditures</b>	<u>94,900</u>	<u>6,602,016</u>	<u>5,086,587</u>	<u>1,515,429</u>
<b>Excess (deficiency) of</b>				
<b>revenues over</b>				
<b>expenditures</b>	<u>745,500</u>	<u>(5,761,616)</u>	<u>(4,490,021)</u>	<u>1,271,595</u>
<b>OTHER FINANCING</b>				
<b>SOURCES (USES):</b>				
Transfers out	<u>(20,230)</u>	<u>(20,230)</u>	<u>(20,230)</u>	<u>-</u>
<b>Total other financing</b>				
<b>sources (uses)</b>	<u>(20,230)</u>	<u>(20,230)</u>	<u>(20,230)</u>	<u>-</u>
<b>Net change in</b>				
<b>fund balance</b>	\$ <u>725,270</u>	\$ <u>(5,781,846)</u>	(4,510,251)	\$ <u>1,271,595</u>
<b>FUND BALANCE, October 1</b>			<u>6,231,863</u>	
<b>FUND BALANCE, September 30</b>			<u>\$ 1,721,612</u>	



**CITY OF KEY WEST, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**CAROLINE STREET SPECIAL REVENUE FUND**  
**For the Year Ended September 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final Budget</b>
<b>REVENUES:</b>				
Taxes	\$ -	\$ 361,837	\$ 361,837	\$ -
Investment earnings	-	-	2,500	2,500
Contributions and other	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>361,837</u>	<u>364,337</u>	<u>2,500</u>
<b>EXPENDITURES:</b>				
Operating	-	-	2,015	(2,015)
Capital outlay	-	834,611	17,879	816,732
Aid to private organizations	-	-	23,899	(23,899)
<b>Total expenditures</b>	<u>-</u>	<u>834,611</u>	<u>43,793</u>	<u>790,818</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>(472,774)</u>	<u>320,544</u>	<u>793,318</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	1,172,765	1,172,412	(353)
Transfers out	-	(9,210)	(9,210)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>1,163,555</u>	<u>1,163,202</u>	<u>(353)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 690,781</u>	<u>1,483,746</u>	<u>\$ 792,965</u>
<b>FUND BALANCE, October 1</b>			<u>-</u>	
<b>FUND BALANCE, September 30</b>			<u>\$ 1,483,746</u>	

**CITY OF KEY WEST, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**INFRASTRUCTURE SURTAX FUND**  
**A CAPITAL PROJECT FUND**  
**For the Year Ended September 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>with Final</b>
				<b>Budget</b>
<b>REVENUES:</b>				
Taxes	\$ 6,250,000	\$ 6,250,000	\$ 7,133,574	\$ 883,574
Intergovernmental	995,000	1,445,000	-	(1,445,000)
Investment earnings	60,000	60,000	36,186	(23,814)
<b>Total revenues</b>	<u>7,305,000</u>	<u>7,755,000</u>	<u>7,169,760</u>	<u>(585,240)</u>
<b>EXPENDITURES:</b>				
Operating	325,816	906,868	131,775	775,093
Capital outlay	8,575,064	12,430,122	2,421,355	10,008,767
<b>Total expenditures</b>	<u>8,900,880</u>	<u>13,336,990</u>	<u>2,553,130</u>	<u>10,783,860</u>
Excess (deficiency) of revenues over expenditures	<u>(1,595,880)</u>	<u>(5,581,990)</u>	<u>4,616,630</u>	<u>10,198,620</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	414,000	414,000	-
Transfers out	(1,998,024)	(2,198,720)	(2,198,720)	-
<b>Total other financing sources (uses)</b>	<u>(1,998,024)</u>	<u>(1,784,720)</u>	<u>(1,784,720)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (3,593,904)</u>	<u>\$ (7,366,710)</u>	2,831,910	<u>\$ 10,198,620</u>
<b>FUND BALANCE, October 1</b>			<u>13,623,297</u>	
<b>FUND BALANCE, September 30</b>			<u>\$ 16,455,207</u>	

**CITY OF KEY WEST, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**For the Year Ended September 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final Budget</b>
<b>REVENUES:</b>				
Investment earnings	\$ 122,416	\$ 122,416	\$ 69,181	\$ (53,235)
<b>Total revenues</b>	<u>122,416</u>	<u>122,416</u>	<u>69,181</u>	<u>(53,235)</u>
<b>EXPENDITURES:</b>				
Operating	-	40,032	-	40,032
Capital outlay	-	17,934,942	621,677	17,313,265
<b>Total expenditures</b>	<u>-</u>	<u>17,974,974</u>	<u>621,677</u>	<u>17,353,297</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>122,416</u>	<u>(17,852,558)</u>	<u>(552,496)</u>	<u>17,300,062</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	7,500,000	7,500,000	-
Transfers out	(90,652)	(90,652)	(90,652)	-
<b>Total other financing sources (uses)</b>	<u>(90,652)</u>	<u>7,409,348</u>	<u>7,409,348</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ 31,764</u>	<u>\$ (10,443,210)</u>	<u>6,856,852</u>	<u>\$ 17,300,062</u>
<b>FUND BALANCE, October 1</b>			<u>17,091,176</u>	
<b>FUND BALANCE, September 30</b>			<u>\$ 23,948,028</u>	



## NONMAJOR ENTERPRISE FUNDS OVERVIEW

Enterprise funds are used to account for the acquisition, operation, and maintenance of governmental facilities and services which are entirely or predominantly supported by user charges. All activities necessary to provide such services are accounted for in these funds, including (but not limited to) administration, operations, maintenance, financing, and related debt service (where applicable). The significant characteristics of enterprise funds are that the accounting system must be structured to reflect whether the activity is operated at a profit or loss, similar to comparable activities in private enterprise. Thus, the reports of enterprise funds are self-contained, and creditors, legislators, or the general public can evaluate the performance of the particular municipal enterprise on the same basis as they can the performance of an investor-owned enterprise in the same industry. The City maintains six enterprise funds including the following two, which are considered nonmajor:

**Garrison Bight Fund** - To account for the provision of marina services to the residents of the City.

**Transit System Fund** - To account for the provision of mass transit services within the City limits to the residents of the City.



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**CITY OF KEY WEST, FLORIDA**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**September 30, 2013**

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>ASSETS:</b>			
<b>Current assets:</b>			
Cash, cash equivalents and investments \$	1,115,600	\$ 284,487	\$ 1,400,087
Receivables, net of allowance for uncollectibles:			
Accounts	101,030	20,807	121,837
Intergovernmental	-	713,938	713,938
Interfund receivables	888	1,649	2,537
Prepaid expenses	4,218	1,213	5,431
Inventories	-	35,135	35,135
	<u>1,221,736</u>	<u>1,057,229</u>	<u>2,278,965</u>
<b>Total current assets</b>			
<b>Noncurrent assets:</b>			
<b>Property, plant and equipment:</b>			
Land	-	50,000	50,000
Buildings and improvements	707,076	4,510,598	5,217,674
Infrastructure	7,411,679	288,435	7,700,114
Machinery, equipment and furniture	514,779	5,234,770	5,749,549
Construction in progress	60,722	1,000,215	1,060,937
	<u>8,694,256</u>	<u>11,084,018</u>	<u>19,778,274</u>
<b>Total property, plant and equipment</b>			
Less accumulated depreciation	<u>4,042,308</u>	<u>7,976,056</u>	<u>12,018,364</u>
	<u>4,651,948</u>	<u>3,107,962</u>	<u>7,759,910</u>
<b>Net property, plant and equipment</b>			
<b>Total noncurrent assets</b>	<u>4,651,948</u>	<u>3,107,962</u>	<u>7,759,910</u>
<b>Total assets</b>	<u>\$ 5,873,684</u>	<u>\$ 4,165,191</u>	<u>\$ 10,038,875</u>



	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>LIABILITIES AND NET POSITION:</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 28,033	\$ 175,574	\$ 203,607
Accrued payroll and related expenses	18,148	57,615	75,763
Compensated absences	25,987	34,525	60,512
Retainage payable	-	25,143	25,143
Unearned revenue	<u>131,820</u>	<u>-</u>	<u>131,820</u>
 <b>Total current liabilities</b>	 <u>203,988</u>	 <u>292,857</u>	 <u>496,845</u>
<b>Noncurrent liabilities:</b>			
Advances from other funds	-	164,986	164,986
Customer deposits	203,268	5,530	208,798
OPEB liability	24,770	79,874	104,644
Compensated absences	<u>15,836</u>	<u>18,590</u>	<u>34,426</u>
 <b>Total noncurrent liabilities</b>	 <u>243,874</u>	 <u>268,980</u>	 <u>512,854</u>
 <b>Total liabilities</b>	 <u>447,862</u>	 <u>561,837</u>	 <u>1,009,699</u>
<b>NET POSITION:</b>			
Net investment in capital assets	4,651,948	3,107,962	7,759,910
Unrestricted	<u>773,874</u>	<u>495,392</u>	<u>1,269,266</u>
 <b>Total net position</b>	 <u>5,425,822</u>	 <u>3,603,354</u>	 <u>9,029,176</u>
 <b>Total liabilities and net position</b>	 \$ <u><u>5,873,684</u></u>	 \$ <u><u>4,165,191</u></u>	 \$ <u><u>10,038,875</u></u>

**CITY OF KEY WEST, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended September 30, 2013**

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,506,804	\$ 1,038,997	\$ 2,545,801
<b>Total operating revenues</b>	<u>1,506,804</u>	<u>1,038,997</u>	<u>2,545,801</u>
<b>OPERATING EXPENSES:</b>			
Personal services	525,395	1,491,351	2,016,746
Other operating expenses	458,395	913,955	1,372,350
Depreciation	374,615	326,186	700,801
<b>Total operating expenses</b>	<u>1,358,405</u>	<u>2,731,492</u>	<u>4,089,897</u>
<b>Operating income (loss)</b>	<u>148,399</u>	<u>(1,692,495)</u>	<u>(1,544,096)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Grant income (operating)	-	1,124,015	1,124,015
Investment earnings	5,393	669	6,062
Other income	100,397	34,149	134,546
Interest expense	-	(542)	(542)
<b>Net nonoperating revenues (expenses)</b>	<u>105,790</u>	<u>1,158,291</u>	<u>1,264,081</u>
<b>Income (loss) before transfers and contributions</b>	<u>254,189</u>	<u>(534,204)</u>	<u>(280,015)</u>
<b>TRANSFERS AND CONTRIBUTIONS:</b>			
Capital contributions	33,580	260,402	293,982
Transfers in	-	419,952	419,952
Transfers out	(170,828)	(320,227)	(491,055)
<b>Total transfers and contributions</b>	<u>(137,248)</u>	<u>360,127</u>	<u>222,879</u>
<b>Change in net position</b>	116,941	(174,077)	(57,136)
<b>NET POSITION, October 1</b>	<u>5,308,881</u>	<u>3,777,431</u>	<u>9,086,312</u>
<b>NET POSITION, September 30</b>	\$ <u>5,425,822</u>	\$ <u>3,603,354</u>	\$ <u>9,029,176</u>

**CITY OF KEY WEST, FLORIDA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended September 30, 2013**

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 1,541,813	\$ 1,040,361	\$ 2,582,174
Cash paid to suppliers	(460,444)	(777,426)	(1,237,870)
Cash paid to employees	(515,014)	(1,456,257)	(1,971,271)
Other receipts	100,397	34,149	134,546
	<u>666,752</u>	<u>(1,159,173)</u>	<u>(492,421)</u>
<b>Net cash provided by (used in) operating activities</b>			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating grants received	-	1,637,341	1,637,341
Advance/loan from (to) other funds	(7,526)	(57,458)	(64,984)
Interest paid on advances from other funds	-	(542)	(542)
Transfers in	-	419,952	419,952
Transfers (out)	(170,828)	(320,227)	(491,055)
	<u>(178,354)</u>	<u>1,679,066</u>	<u>1,500,712</u>
<b>Net cash provided by (used in) noncapital financing activities</b>			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds of capital grants *	33,580	39,307	72,887
Acquisition and construction of capital assets	(1,550,303)	(276,928)	(1,827,231)
	<u>(1,516,723)</u>	<u>(237,621)</u>	<u>(1,754,344)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment earnings	5,393	669	6,062
	<u>5,393</u>	<u>669</u>	<u>6,062</u>
<b>Net cash provided by (used in) investing activities</b>			
<b>Net increase (decrease) in cash, cash equivalents and investments</b>	(1,022,932)	282,941	(739,991)
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, October 1</b>	<u>2,138,532</u>	<u>1,546</u>	<u>2,140,078</u>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, September 30</b>	\$ <u>1,115,600</u>	\$ <u>284,487</u>	\$ <u>1,400,087</u>

**CITY OF KEY WEST, FLORIDA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
(continued)  
For the Year Ended September 30, 2013

	<u>Garrison Bight</u>	<u>Transit System</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 148,399	\$ (1,692,495)	\$ (1,544,096)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>			
Other nonoperating revenues	100,397	34,149	134,546
Depreciation	374,615	326,186	700,801
<b>Decrease (increase) in assets:</b>			
Accounts receivables, net	11,914	(666)	11,248
Interfund receivables, net	563	1,322	1,885
Prepaid expenses	1,198	290	1,488
Inventories	-	(3,877)	(3,877)
<b>Increase (decrease) in liabilities:</b>			
Accounts payable	(3,247)	140,116	136,869
Accrued payroll and related expenses	2,080	3,429	5,509
Unearned revenue	21,291	-	21,291
Customer deposits	1,804	2,030	3,834
OPEB liability	5,163	15,592	20,755
Compensated absences	2,575	14,751	17,326
<b>Total adjustments</b>	<u>518,353</u>	<u>533,322</u>	<u>1,051,675</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 666,752</u>	<u>\$ (1,159,173)</u>	<u>\$ (492,421)</u>

\* Capital contributions for the year ended September 30, 2013 are all associated with cash transactions.

## **FIDUCIARY FUNDS OVERVIEW**

Fiduciary funds are used to account for assets held by the City in a trustee capacity. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The City maintains two trust funds:

**Pension Trust Funds** - To account for the accumulation of resources for pension benefit payments to qualified employees. There are two funds for the City's two retirement plans—the Police Officers' and Firefighters' Retirement Plan and the General Employees' Retirement Plan.



**CITY OF KEY WEST, FLORIDA**  
**COMBINING STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**September 30, 2013**

	<b>Pension Trust Funds</b>		
	<b>General Employees</b>	<b>Police and Fire</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,802,505	\$ 4,120,364	\$ 5,922,869
Investments, at fair value:			
Equity securities	25,927,186	43,405,943	69,333,129
Corporate and foreign bonds, and bond funds	9,747,181	11,768,185	21,515,366
Alternative investments	4,400,709	5,387,652	9,788,361
U.S. government securities	2,201,919	190,979	2,392,898
Municipal obligations	549,052	2,277,432	2,826,484
Real estate	-	4,060,000	4,060,000
Receivables:			
Interest, dividends and other	127,059	227,875	354,934
Due from governmental funds, in-transit	-	117,096	117,096
State contributions	-	183,071	183,071
Proceeds from securities sold	-	503,790	503,790
<b>Total assets</b>	<b>44,755,611</b>	<b>72,242,387</b>	<b>116,997,998</b>
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	10,420	80,478	90,898
Payable for securities purchased	-	304,112	304,112
Deferred retirement option plan and other benefits payable	907,587	6,937,417	7,845,004
<b>Total liabilities</b>	<b>918,007</b>	<b>7,322,007</b>	<b>8,240,014</b>
<b>NET POSITION:</b>			
Held in trust for employees' pension benefits	\$ <u>43,837,604</u>	\$ <u>64,920,380</u>	\$ <u>108,757,984</u>

**CITY OF KEY WEST, FLORIDA**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended September 30, 2013**

	<b>Pension Trust Funds</b>		
	<b>General Employees</b>	<b>Police and Fire</b>	<b>Total</b>
<b>ADDITIONS:</b>			
Contributions:			
Employer	\$ 952,716	\$ 2,946,943	\$ 3,899,659
Members	663,745	732,651	1,396,396
State police and fire	-	686,009	686,009
<b>Total contributions</b>	<b>1,616,461</b>	<b>4,365,603</b>	<b>5,982,064</b>
 Investment earnings:			
Net appreciation (depreciation) in fair value of investments	4,084,601	7,729,909	11,814,510
Interest and dividends	1,200,108	2,082,442	3,282,550
<b>Total investment earnings</b>	<b>5,284,709</b>	<b>9,812,351</b>	<b>15,097,060</b>
 Less: Investment expenses	117,402	399,426	516,828
Deferred retirement option plan participants earnings (losses)	77,659	417,091	494,750
<b>Net investment earnings</b>	<b>5,089,648</b>	<b>8,995,834</b>	<b>14,085,482</b>
<b>Total additions</b>	<b>6,706,109</b>	<b>13,361,437</b>	<b>20,067,546</b>
 <b>DEDUCTIONS:</b>			
Benefits paid	2,515,053	4,342,581	6,857,634
Administrative expenses	123,177	132,637	255,814
Contributions refunded	-	40,980	40,980
<b>Total deductions</b>	<b>2,638,230</b>	<b>4,516,198</b>	<b>7,154,428</b>
 <b>Changes in net position</b>	<b>4,067,879</b>	<b>8,845,239</b>	<b>12,913,118</b>
 <b>NET POSITION, October 1</b>	<b>39,769,725</b>	<b>56,075,141</b>	<b>95,844,866</b>
 <b>NET POSITION, September 30</b>	<b>\$ 43,837,604</b>	<b>\$ 64,920,380</b>	<b>\$ 108,757,984</b>



## **STATISTICAL SECTION**



CITY OF KEY WEST, FLORIDA  
STATISTICAL SECTION  
For the Year Ended September 30, 2013

**OVERVIEW**

Statistical information is different from financial statements in that the statistics usually cover more than one fiscal year and may present non-accounting information. The following tables present financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information of the government, as necessary for complete disclosure of the City's financial activity. The information presented in these tables is not required for fair presentation in conformity with generally accepted accounting principles and is therefore not covered by the auditor's opinion.

There have been no special assessments authorized during the last ten fiscal years.

The City's charter does not provide for a General Obligation Legal Debt margin.

<u><b>CONTENTS</b></u>	<u><b>PAGES</b></u>
<b>FINANCIAL TRENDS:</b>	106-115
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>REVENUE CAPACITY:</b>	116-119
These schedules contain information to help the reader assess the City's most significant local revenue source - property tax.	
<b>DEBT CAPACITY:</b>	120-124
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION:</b>	125-127
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>OPERATING INFORMATION:</b>	128-130
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	

*Sources of Data:*

City of Key West Audited Financial Statements (and supporting records)  
City of Key West Planning Department  
City of Key West Building and Zoning Department  
Monroe County Tax Collector  
Monroe County Property Appraiser  
Monroe County School Board  
Florida Keys Aqueduct Authority  
Keys Energy Services



**CITY OF KEY WEST, FLORIDA**  
**TABLE 1**  
**NET POSITION BY COMPONENT**  
**FOR THE LAST TEN FISCAL YEARS**  
**ACCRUAL BASIS**  
**(in Thousands)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	\$ 35,936	\$ 84,281	\$ 83,047	\$ 84,399	\$ 83,450	\$ 83,653	\$ 86,385	\$ 87,054	\$ 88,024	\$ 98,927
Restricted	14,850	17,885	17,596	24,796	30,050	30,675	31,822	36,703	41,328	39,406
Unrestricted	61,128	11,651	14,948	13,791	6,155	9,654	14,570	16,623	16,414	25,586
Total governmental activities net position	<u>\$ 111,914</u>	<u>\$ 113,817</u>	<u>\$ 115,591</u>	<u>\$ 122,986</u>	<u>\$ 119,655</u>	<u>\$ 123,982</u>	<u>\$ 132,777</u>	<u>\$ 140,380</u>	<u>\$ 145,766</u>	<u>\$ 163,919</u>
Business-type activities:										
Net investment in capital assets	\$ 82,941	\$ 83,682	\$ 92,102	\$ 94,073	\$ 103,294	\$ 107,394	\$ 115,889	\$ 118,376	\$ 113,118	\$ 115,459
Restricted	2,664	2,358	2,427	3,757	3,800	3,800	3,759	3,867	4,362	589
Unrestricted	16,458	18,926	14,997	18,295	14,446	12,003	14,951	17,443	25,228	29,476
Total business-type activities net position	<u>\$ 102,063</u>	<u>\$ 104,966</u>	<u>\$ 109,526</u>	<u>\$ 116,125</u>	<u>\$ 121,540</u>	<u>\$ 123,197</u>	<u>\$ 134,599</u>	<u>\$ 139,686</u>	<u>\$ 142,708</u>	<u>\$ 145,524</u>
Primary government:										
Net investment in capital assets	\$ 118,877	\$ 167,963	\$ 175,149	\$ 178,472	\$ 186,744	\$ 191,047	\$ 202,274	\$ 205,430	\$ 201,142	\$ 214,386
Restricted	17,514	20,243	20,023	28,553	33,850	34,475	35,581	40,570	45,690	39,995
Unrestricted	77,586	30,577	29,945	32,086	20,601	21,657	29,521	34,066	41,642	55,062
Total primary government net position	<u>\$ 213,977</u>	<u>\$ 218,783</u>	<u>\$ 225,117</u>	<u>\$ 239,111</u>	<u>\$ 241,195</u>	<u>\$ 247,179</u>	<u>\$ 267,376</u>	<u>\$ 280,066</u>	<u>\$ 288,474</u>	<u>\$ 309,443</u>

**CITY OF KEY WEST, FLORIDA**  
**TABLE 2**  
**CHANGES IN NET POSITION**  
**FOR THE LAST TEN YEARS**  
**ACCRUAL BASIS**  
**(in Thousands)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses:</b>										
Governmental activities:										
General government	\$ 12,689	\$ 14,068	\$ 13,195	\$ 12,363	\$ 13,012	\$ 13,570	\$ 13,355	\$ 14,797	\$ 15,520	\$ 16,670
Public safety	15,985	20,332	23,059	22,278	22,272	21,896	20,553	21,737	22,859	22,692
Physical environment	160	284	220	321	588	314	304	-	-	-
Transportation	2,780	2,901	3,249	3,354	4,002	3,711	3,586	3,364	5,339	7,770
Economic environment	1,293	1,185	2,152	1,963	5,297	14,622	5,249	2,956	3,762	1,784
Human services	131	438	432	491	517	409	393	394	399	488
Culture and recreation	3,400	3,270	4,206	5,403	3,677	2,314	2,152	2,321	2,600	2,567
Interest	79	40	53	51	45	41	38	34	30	26
Total governmental activities expenses	36,517	42,518	46,566	46,224	49,410	56,877	45,630	45,603	50,509	51,997
Business type activities:										
Sewer System	17,991	10,885	10,030	10,121	10,704	10,833	11,574	11,151	10,710	11,404
Solid Waste	10,177	10,103	11,895	6,727	7,480	7,105	7,337	7,444	7,268	8,753
Key West Bight	4,520	5,451	6,008	6,374	6,980	5,485	4,988	5,192	4,588	4,329
Stormwater	1,192	1,003	3,031	1,757	2,871	3,053	2,239	2,666	2,535	2,755
Garrison Bight	1,097	1,196	1,225	1,063	1,207	1,426	1,434	1,351	1,245	1,359
Transit	3,152	3,087	3,917	3,818	4,026	3,581	3,076	2,806	2,563	2,732
Poinciana	1,594	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	39,723	31,725	36,106	29,860	33,268	31,483	30,648	30,610	28,909	31,332
Total primary government expenses	\$ 76,240	\$ 74,243	\$ 82,672	\$ 76,084	\$ 82,678	\$ 88,360	\$ 76,278	\$ 76,213	\$ 79,418	\$ 83,329

# CITY OF KEY WEST, FLORIDA

## TABLE 2 CHANGES IN NET POSITION (continued) FOR THE LAST TEN YEARS ACCRUAL BASIS (in Thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Program Revenues:</b>										
Governmental activities:										
Fees, fines and charges for services:										
General government	\$ 1,394	\$ 1,520	\$ 1,594	\$ 1,551	\$ 1,686	\$ 2,257	\$ 2,417	\$ 2,647	\$ 2,717	\$ 2,721
Public safety	3,182	4,127	4,077	4,504	2,351	2,280	2,667	2,131	2,150	2,733
Physical environment	38	88	120	46	71	54	77	-	-	-
Transportation	6,368	8,000	7,352	7,568	7,002	6,840	6,947	7,557	7,021	6,976
Economic environment	-	-	-	-	-	-	44	26	26	33
Human Services	-	-	-	-	11	-	-	-	-	-
Culture and recreation	12	133	114	136	15	182	164	202	205	344
Operating grants and contributions	911	866	3,969	3,561	2,583	4,295	5,414	3,829	3,971	2,041
Capital grants and contributions	48,314	1,405	1,185	647	4,275	12,334	2,912	3,272	3,596	2,680
Total governmental activities program revenues	60,219	16,139	18,411	18,013	17,994	28,242	20,642	19,664	19,686	17,528
Business type activities:										
Charges for services:										
Sanitary Sewer System	10,503	10,499	12,063	11,271	11,789	11,648	11,827	12,717	11,640	12,164
Solid Waste	8,274	8,293	8,591	8,837	9,343	9,283	8,997	9,122	9,187	9,503
Key West Bight	5,236	5,932	6,531	7,460	8,100	6,500	6,460	6,825	6,974	7,047
Stormwater	1,642	1,516	1,742	1,748	2,336	2,393	2,322	2,342	2,468	2,613
Garrison Bight	1,204	1,318	1,397	1,504	1,509	1,459	1,372	1,400	1,453	1,507
Transit	754	737	932	1,023	1,067	1,067	970	982	1,070	1,039
Poinciana	362	-	-	-	-	-	-	-	-	-
Operating grants and contributions	442	2,117	6,926	1,588	1,033	420	2,026	1,487	1,274	1,124
Capital grants and contributions	1,940	1,692	2,067	2,081	4,276	1,429	9,209	2,633	1,436	2,518
Total business type activities program revenues	30,357	32,104	40,248	35,512	39,453	34,199	43,183	37,508	35,502	37,515
Total primary government program revenues	\$ 90,576	\$ 48,243	\$ 58,659	\$ 53,525	\$ 57,447	\$ 62,441	\$ 63,825	\$ 57,172	\$ 55,188	\$ 55,043

# CITY OF KEY WEST, FLORIDA

## TABLE 2 CHANGES IN NET POSITION (continued) FOR THE LAST TEN YEARS ACCRUAL BASIS (in Thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense)/revenue										
Governmental activities	\$ 23,702	\$ (26,379)	\$ (28,155)	\$ (28,211)	\$ (31,416)	\$ (28,635)	\$ (24,988)	\$ (25,939)	\$ (30,823)	\$ (34,469)
Business type activities	(9,366)	379	4,142	5,652	6,185	2,716	12,535	6,898	6,593	6,183
Total primary government net expense	<u>\$ 14,336</u>	<u>\$ (26,000)</u>	<u>\$ (24,013)</u>	<u>\$ (22,559)</u>	<u>\$ (25,231)</u>	<u>\$ (25,919)</u>	<u>\$ (12,453)</u>	<u>\$ (19,041)</u>	<u>\$ (24,230)</u>	<u>\$ (28,286)</u>
<b>General revenues and other changes in net position:</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 11,777	\$ 12,476	\$ 12,469	\$ 15,774	\$ 15,136	\$ 15,572	\$ 15,644	\$ 14,816	\$ 14,429	\$ 15,127
Sales taxes	9,177	9,048	9,352	9,263	9,001	8,052	7,994	8,663	10,360	10,945
Franchise and local business taxes	927	1,655	2,030	2,029	1,272	1,268	1,316	1,394	1,463	1,404
Communication taxes	-	-	-	-	1,882	1,633	1,725	1,613	1,610	1,599
Cigarette and motor fuel taxes	2,580	2,548	2,500	2,266	2,225	2,099	2,360	2,391	2,541	2,462
Investment earnings	357	700	1,436	2,194	1,944	1,745	750	530	437	197
Miscellaneous	3,596	3,259	994	567	1,393	717	1,464	1,293	1,643	8,476
Donated capital asset	-	-	-	-	-	-	-	-	-	8,470
Extraordinary item	-	-	-	(1,250)	(6,750)	-	-	-	-	-
Transfers	(2,210)	(1,405)	1,146	2,002	1,982	1,876	2,530	2,842	3,726	3,942
Total governmental activities	<u>26,204</u>	<u>28,281</u>	<u>29,927</u>	<u>32,845</u>	<u>28,085</u>	<u>32,962</u>	<u>33,783</u>	<u>33,542</u>	<u>36,209</u>	<u>52,622</u>
Business type activities:										
Investment earnings	323	711	1,347	1,397	1,008	643	260	312	241	165
Transfers	2,210	1,405	(1,146)	(2,002)	(1,982)	(1,876)	(2,530)	(2,842)	(3,726)	(3,942)
Miscellaneous	199	408	217	561	204	174	1,137	719	254	410
Total business-type activities	<u>2,732</u>	<u>2,524</u>	<u>418</u>	<u>(44)</u>	<u>(770)</u>	<u>(1,059)</u>	<u>(1,133)</u>	<u>(1,811)</u>	<u>(3,231)</u>	<u>(3,367)</u>
Total primary government	<u>\$ 28,936</u>	<u>\$ 30,805</u>	<u>\$ 30,345</u>	<u>\$ 32,801</u>	<u>\$ 27,315</u>	<u>\$ 31,903</u>	<u>\$ 32,650</u>	<u>\$ 31,731</u>	<u>\$ 32,978</u>	<u>\$ 49,255</u>



**CITY OF KEY WEST, FLORIDA**  
**TABLE 2**  
**CHANGES IN NET POSITION**  
**(continued)**  
**FOR THE LAST TEN YEARS**  
**ACCRUAL BASIS**  
**(in Thousands)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Change in net position:										
Governmental activities	\$ 49,906	\$ 1,902	\$ 1,772	\$ 4,634	\$ (3,331)	\$ 4,327	\$ 8,795	\$ 7,603	\$ 5,386	\$ 18,153
Business type activities	<u>(6,634)</u>	<u>2,903</u>	<u>4,560</u>	<u>5,608</u>	<u>5,415</u>	<u>1,657</u>	<u>11,402</u>	<u>5,087</u>	<u>3,362</u>	<u>2,816</u>
Total primary government	<u>\$ 43,272</u>	<u>\$ 4,805</u>	<u>\$ 6,332</u>	<u>\$ 10,242</u>	<u>\$ 2,084</u>	<u>\$ 5,984</u>	<u>\$ 20,197</u>	<u>\$ 12,690</u>	<u>\$ 8,748</u>	<u>\$ 20,969</u>

**CITY OF KEY WEST, FLORIDA**  
**TABLE 3**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**FOR THE LAST TEN FISCAL YEARS**  
**ACCRUAL BASIS**  
**(in Thousands)**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Franchise and Local Business Taxes</u>	<u>Cigarette and Motor Fuel Taxes</u>	<u>Communication Taxes</u>	<u>Total</u>
2004	\$ 11,777	\$ 9,177	\$ 927	\$ 2,580	\$ -	\$ 24,461
2005	\$ 12,476	\$ 9,048	\$ 1,655	\$ 2,548	\$ -	\$ 25,727
2006	\$ 12,469	\$ 9,352	\$ 2,030	\$ 2,500	\$ -	\$ 26,351
2007	\$ 15,774	\$ 9,263	\$ 2,029	\$ 2,266	\$ -	\$ 29,332
2008	\$ 15,136	\$ 9,001	\$ 1,272	\$ 2,225	\$ 1,882	\$ 29,516
2009	\$ 15,572	\$ 8,052	\$ 1,268	\$ 2,099	\$ 1,633	\$ 28,624
2010	\$ 15,644	\$ 7,994	\$ 1,316	\$ 2,360	\$ 1,725	\$ 29,039
2011	\$ 14,816	\$ 8,663	\$ 1,394	\$ 2,391	\$ 1,613	\$ 28,877
2012	\$ 14,429	\$ 10,360	\$ 1,463	\$ 2,541	\$ 1,610	\$ 30,403
2013	\$ 15,127	\$ 10,945	\$ 1,404	\$ 2,462	\$ 1,599	\$ 31,537

**CITY OF KEY WEST, FLORIDA**  
**TABLE 4**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN FISCAL YEARS**  
**MODIFIED ACCRUAL BASIS**  
**(in Thousands)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Reserved	\$ 2,699	\$ 2,696	\$ 2,637	\$ 2,647	\$ 2,379	\$ 2,516	\$ 2,458	\$ -	\$ -	\$ -
Unreserved	11,744	9,618	10,908	11,819	12,362	6,177	8,801	-	-	-
Nonspendable	-	-	-	-	-	-	-	2,191	2,075	1,950
Restricted	-	-	-	-	-	-	-	-	-	2
Committed	-	-	-	-	-	-	-	110	148	269
Assigned	-	-	-	-	-	-	-	155	123	1,051
Unassigned	-	-	-	-	-	-	-	9,260	10,202	11,296
Total general fund	<u>\$ 14,443</u>	<u>\$ 12,314</u>	<u>\$ 13,545</u>	<u>\$ 14,466</u>	<u>\$ 14,741</u>	<u>\$ 8,693</u>	<u>\$ 11,259</u>	<u>\$ 11,716</u>	<u>\$ 12,548</u>	<u>\$ 14,568</u>
All other governmental funds:										
Reserved	\$ 1,367	\$ 960	\$ 1,314	\$ 1,442	\$ 1,136	\$ 4,604	\$ 2,762	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	7,857	12,353	13,656	19,527	20,329	14,916	14,669	-	-	-
Capital projects funds	5,625	4,572	5,808	5,809	8,585	11,156	14,391	-	-	-
Nonspendable	-	-	-	-	-	-	-	180	162	280
Restricted	-	-	-	-	-	-	-	36,524	41,166	39,124
Committed	-	-	-	-	-	-	-	-	-	7,500
Unassigned	-	-	-	-	-	-	-	-	(431)	(778)
Total all other governmental funds	<u>\$ 14,849</u>	<u>\$ 17,885</u>	<u>\$ 20,778</u>	<u>\$ 26,778</u>	<u>\$ 30,050</u>	<u>\$ 30,676</u>	<u>\$ 31,822</u>	<u>\$ 36,704</u>	<u>\$ 40,897</u>	<u>\$ 46,126</u>

Note: Information for fiscal years 2003-2010 have not been restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 classification.

**CITY OF KEY WEST, FLORIDA**  
**TABLE 5**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN FISCAL YEARS**  
**MODIFIED ACCRUAL BASIS**  
**(in Thousands)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>REVENUES:</b>										
Taxes	\$ 20,296	\$ 21,305	\$ 21,768	\$ 24,989	\$ 24,194	\$ 24,271	\$ 24,393	\$ 23,940	\$ 24,794	\$ 25,715
Licenses and permits	2,139	2,667	2,735	3,224	2,451	2,174	2,613	2,456	2,666	3,186
Intergovernmental	6,481	6,754	10,056	9,092	11,130	20,190	13,448	12,730	14,218	10,221
Payment in lieu of taxes	2,603	2,603	-	-	-	-	-	-	-	-
Charges for services	6,565	8,226	7,584	7,827	7,245	7,067	7,411	7,954	7,414	7,458
Fines and forfeitures	1,035	1,245	1,134	1,049	1,153	1,252	1,169	878	717	769
Investment earnings	302	701	1,436	2,194	1,944	1,745	751	530	437	197
Rental income	1,306	1,359	1,437	1,441	1,384	1,784	1,642	1,842	1,948	1,952
Contributions and other	48,488	379	650	863	575	269	304	355	426	396
Total revenues	89,215	45,239	46,800	50,679	50,076	58,752	51,731	50,685	52,620	49,894
<b>EXPENDITURES:</b>										
General government (1)	10,928	14,162	12,774	13,229	13,375	21,921	14,006	15,138	15,285	15,337
Public safety	15,995	17,895	20,014	19,113	19,089	19,198	18,873	19,982	20,560	21,022
Physical environment	100	212	137	236	486	238	243	-	-	-
Transportation	2,307	2,326	2,897	2,865	3,594	3,253	3,154	2,867	4,903	7,246
Economic environment	1,293	1,108	2,229	1,963	5,278	14,622	5,249	2,956	3,762	1,783
Culture and recreation	2,644	2,765	3,653	4,687	2,949	1,886	1,817	1,954	2,107	1,951
Human services	131	438	423	497	513	407	393	394	399	488
Capital outlay	51,265	3,835	2,996	2,858	3,030	4,037	6,637	4,717	4,442	6,437
Debt service:										
Principal	294	147	147	206	147	147	147	147	147	147
Interest	79	40	53	51	49	41	38	34	30	26
Total expenditures	85,036	42,928	45,323	45,705	48,510	65,750	50,557	48,189	51,635	54,437
Excess (deficiency) of revenues over expenditures	4,179	2,311	1,477	4,974	1,566	(6,998)	1,174	2,496	985	(4,543)
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfers in	4,162	5,732	6,272	6,032	8,498	11,674	9,176	10,153	6,182	16,480
Transfers out	(5,902)	(7,137)	(5,126)	(4,030)	(6,517)	(10,098)	(6,638)	(7,310)	(2,142)	(12,229)
Sale of general capital assets	-	-	-	-	-	-	-	-	-	7,541
Total other financing sources (uses)	(1,740)	(1,405)	1,146	2,002	1,981	1,576	2,538	2,843	4,040	11,792
Net change in fund balances	\$ 2,439	\$ 906	\$ 2,623	\$ 6,976	\$ 3,547	\$ (5,422)	\$ 3,712	\$ 5,339	\$ 5,025	\$ 7,249
Ratio of total debt service expenditures to total noncapital expenditures	1.10%	0.48%	0.47%	0.60%	0.43%	0.30%	0.42%	0.42%	0.38%	0.36%

(1) Includes judgments in the amount of (\$ 8,000,000) for 2009.

**CITY OF KEY WEST, FLORIDA**  
**TABLE 6**  
**GENERAL GOVERNMENTAL EXPENDITURES (1)**  
**For the Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment (2)</u>	<u>Transportation</u>	<u>Economic Environment</u>	<u>Culture and Recreation</u>	<u>Other</u>	<u>Total</u>
2004	\$ 10,548,284	\$ 15,802,101	\$ 100,236	\$ 1,023,054	\$ 2,492,250	\$ 2,505,438	\$ 352,232	\$ 32,823,595
2005	\$ 13,006,947	\$ 17,780,422	\$ 206,122	\$ 1,132,120	\$ 103,300	\$ 2,406,903	\$ 1,149,686	\$ 35,785,500
2006	\$ 11,935,946	\$ 19,892,420	\$ 137,216	\$ 1,162,165	\$ 101,500	\$ 2,439,103	\$ 422,624	\$ 36,090,974
2007	\$ 12,858,911	\$ 19,024,792	\$ 155,387	\$ 1,214,718	\$ 80,500	\$ 3,680,251	\$ 498,399	\$ 37,512,958
2008	\$ 13,280,079	\$ 18,967,798	\$ 486,062	\$ 1,505,712	\$ 75,875	\$ 2,119,775	\$ 733,186	\$ 37,168,487
2009	\$ 20,967,021	\$ 18,946,855	\$ 238,268	\$ 1,214,366	\$ 2,546,639	\$ 1,781,975	\$ 684,512	\$ 46,379,636
2010	\$ 13,743,035	\$ 18,815,278	\$ 242,641	\$ 1,216,867	\$ 154,682	\$ 1,816,544	\$ 763,732	\$ 36,752,779
2011	\$ 15,035,634	\$ 19,918,755	\$ -	\$ 1,196,146	\$ 70,778	\$ 1,953,546	\$ 608,910	\$ 38,783,769
2012	\$ 14,805,682	\$ 20,536,741	\$ -	\$ 954,495	\$ 136,300	\$ 2,107,099	\$ 718,504	\$ 39,258,821
2013	\$ 14,716,056	\$ 20,966,990	\$ -	\$ 757,323	\$ 80,197	\$ 1,951,187	\$ 1,012,947	\$ 39,484,700

(1) Expenditures include General Fund only.

(2) Effective FYE 2011, physical environment is combined with general government.

**CITY OF KEY WEST, FLORIDA**  
**TABLE 7**  
**GENERAL GOVERNMENTAL REVENUES (1)**  
**For the Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter- governmental</b>	<b>Charges for Services</b>	<b>Fines and Forfeitures</b>	<b>Investment Earnings and Other</b>	<b>Total</b>
2004	\$ 12,293,708	\$ 2,138,922	\$ 4,933,486	\$ 7,477,406	\$ 985,764	\$ 2,192,871	\$ 30,022,157
2005	\$ 13,551,986	\$ 2,667,164	\$ 5,534,231	\$ 6,908,916	\$ 1,221,735	\$ 1,864,706	\$ 31,748,738
2006	\$ 13,778,074	\$ 2,734,730	\$ 8,160,794	\$ 6,504,436	\$ 1,092,883	\$ 2,600,679	\$ 34,871,596
2007	\$ 16,999,393	\$ 3,223,910	\$ 6,801,001	\$ 6,794,871	\$ 916,443	\$ 2,839,013	\$ 37,574,631
2008	\$ 16,397,107	\$ 2,451,347	\$ 5,756,244	\$ 6,141,451	\$ 1,030,830	\$ 2,694,967	\$ 34,471,946
2009	\$ 17,106,605	\$ 2,174,363	\$ 8,573,429	\$ 6,195,123	\$ 1,013,421	\$ 2,498,370	\$ 37,561,311
2010	\$ 17,047,554	\$ 2,613,092	\$ 6,706,639	\$ 6,357,337	\$ 1,037,696	\$ 2,067,223	\$ 35,829,541
2011	\$ 16,196,884	\$ 2,455,786	\$ 6,670,741	\$ 6,919,115	\$ 777,369	\$ 2,070,218	\$ 35,090,113
2012	\$ 15,858,710	\$ 2,666,151	\$ 7,164,507	\$ 6,619,211	\$ 672,932	\$ 2,141,274	\$ 35,122,785
2013	\$ 16,593,485	\$ 3,186,346	\$ 6,932,953	\$ 6,881,080	\$ 707,745	\$ 2,121,688	\$ 36,423,297

(1) Revenues include General Fund only.

**CITY OF KEY WEST, FLORIDA**  
**TABLE 8**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**For the Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Tax Levy</b>	<b>Current Tax</b>	<b>Percent of Levy</b>	<b>Collections Delinquent Tax</b>	<b>Total Tax</b>	<b>Percent of Levy</b>
2004	\$ 11,812,058	\$ 11,354,751	96.1	\$ 12,724	\$ 11,367,475	96.2
2005	\$ 12,248,266	\$ 11,901,020	97.2	\$ -	\$ 11,901,020	97.2
2006	\$ 12,146,013	\$ 11,752,575	96.8	\$ -	\$ 11,752,575	96.8
2007	\$ 15,448,634	\$ 14,970,043	96.9	\$ -	\$ 14,970,043	96.9
2008	\$ 14,927,005	\$ 14,299,402	95.8	\$ 46,791	\$ 14,346,193	96.1
2009	\$ 15,273,933	\$ 14,680,697	96.1	\$ 21,279	\$ 14,701,976	96.3
2010	\$ 15,222,849	\$ 14,789,792	97.2	\$ 42,251	\$ 14,832,043	97.4
2011	\$ 14,414,157	\$ 13,995,804	97.1	\$ 60,960	\$ 14,056,764	97.5
2012	\$ 14,224,211	\$ 13,643,432	95.9	\$ 75,797	\$ 13,719,229	96.4
2013	\$ 14,859,861	\$ 13,847,692	93.2	\$ 615,050	\$ 14,462,742	97.3

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.  
Source: Monroe County Tax Collector and Finance Department.

**CITY OF KEY WEST, FLORIDA**  
**TABLE 9**  
**ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY**  
**For the Last Ten Fiscal Years**  
**(In Thousands)**

<b>Fiscal Year</b>	<b>Real Property Assessed Value</b>	<b>Personal Property Assessed Value</b>	<b>Exemptions Allowed for Real/Personal Property</b>	<b>Total Net Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Total Net Estimated True Value</b>	<b>Ratio Net Assessed to True Value</b>
2004	\$ 6,290,554	\$ 321,668	\$ 2,631,664	\$ 3,980,558	2.9815	\$ 3,980,558	1.0
2005	\$ 6,752,625	\$ 318,063	\$ 2,730,286	\$ 4,340,402	2.6003	\$ 4,340,402	1.0
2006	\$ 9,273,128	\$ 322,287	\$ 4,236,380	\$ 5,359,035	2.0863	\$ 5,359,035	1.0
2007	\$ 10,718,386	\$ 360,504	\$ 4,227,713	\$ 6,851,177	2.3034	\$ 6,851,177	1.0
2008	\$ 12,301,233	\$ 369,917	\$ 4,208,873	\$ 8,462,277	2.0354	\$ 8,462,277	1.0
2009	\$ 11,507,171	\$ 375,730	\$ 5,182,044	\$ 6,700,857	2.2794	\$ 6,700,857	1.0
2010	\$ 10,347,911	\$ 371,594	\$ 4,894,185	\$ 5,825,320	2.6414	\$ 5,825,320	1.0
2011	\$ 8,706,431	\$ 368,616	\$ 4,101,589	\$ 4,973,458	2.9132	\$ 4,973,458	1.0
2012	\$ 8,826,945	\$ 360,634	\$ 4,218,770	\$ 4,968,809	2.8627	\$ 4,968,809	1.0
2013	\$ 8,231,175	\$ 323,906	\$ 3,463,472	\$ 5,091,609	2.9185	\$ 5,091,609	1.0

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.  
Source: Property Appraiser, Monroe County, Florida.



**CITY OF KEY WEST, FLORIDA**  
**TABLE 10**  
**PROPERTY TAX RATES**  
**DIRECT AND OVERLAPPING GOVERNMENTS**  
**For the Last Ten Fiscal Years**

Fiscal Year	City of Key West			Overlapping Rates (1)					Total
	Operating Millage	Debt Service Millage	Total Direct Rate	Monroe County	School Board	South Florida Water Management District	Florida Keys Mosquito Control District	Other	
2004	2.9815	-	2.9815	3.5238	4.4220	0.2840	0.6641	0.4130	12.2884
2005	2.6003	-	2.6003	3.1736	3.9320	0.2840	0.6090	0.4130	11.0119
2006	2.0863	-	2.0863	2.8001	3.3820	0.2840	0.6090	0.4130	9.5744
2007	2.3034	-	2.3034	2.5609	3.0610	0.2840	0.5505	0.4130	9.1728
2008	2.0354	-	2.0354	2.2656	2.9460	0.2549	0.4175	0.3691	8.2885
2009	2.2794	-	2.2794	2.6883	2.9220	0.2549	0.3798	0.3691	8.8935
2010	2.6414	-	2.6414	3.0837	3.3870	0.2549	0.4262	0.3691	10.1623
2011	2.9132	-	2.9132	3.3445	3.8235	0.2549	0.4596	0.3691	11.1648
2012	2.8627	-	2.8627	3.3470	3.5650	0.1785	0.4836	0.2578	10.6946
2013	2.9185	-	2.9185	3.1229	3.6600	0.1757	0.5171	0.2532	10.6474

Note: Fiscal year information presented above is for the previous calendar year for the tax levy.

Note (1): Overlapping rates are those of local and county governments that apply to property owners within the City of Key West, Florida.

Also Note: Tax rates shown above are per \$1,000 of assessed valuation.

Source: Monroe County Tax Collector.

**CITY OF KEY WEST, FLORIDA**  
**TABLE 11**  
**PRINCIPAL TAXPAYERS**  
**CURRENT YEAR AND TEN YEARS AGO**

<u>Name of Taxpayer</u>	<u>2013 Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>	<u>2004 Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
Southeast Housing, LLC	\$ 142,097,484	1	2.79	\$ -	-	-
Galleon Condominium Association Inc.	62,938,833	2	1.24	-	-	-
Sunset City, LLC	53,708,585	3	1.05	-	-	-
Windward Pointe II, LLC	50,475,296	4	0.99	-	-	-
Hyatt Vacation Management Co.	47,150,998	5	0.93	-	-	-
City of Key West	46,883,179	6	0.92	-	-	-
Casa Marina Owner, LLC	44,324,443	7	0.87	57,239,714	1	1.44
SH5, LTD	39,768,423	8	0.78	-	-	-
Tannex Development, LC	30,713,529	9	0.60	-	-	-
Crico of Ocean Walk, LP	28,018,188	10	0.55	-	-	-
Hilton Resorts and Marina	-	-	-	38,613,649	2	0.97
Pier House	-	-	-	27,314,526	3	0.69
Southernmost Beach, LP	-	-	-	26,342,424	4	0.66
Sheraton Suites	-	-	-	24,505,715	5	0.62
Bellsouth (Southern Bell)	-	-	-	22,968,860	6	0.58
Grand Key Resort	-	-	-	22,273,116	7	0.56
Reach	-	-	-	21,858,718	8	0.55
Ocean Key House	-	-	-	21,197,948	9	0.53
Holiday Inn	-	-	-	18,621,724	10	0.47
Totals	\$ <u>546,078,958</u>		<u>10.72</u>	\$ <u>280,936,394</u>		<u>7.07</u>

Source: Property Appraiser, Monroe County, Florida.

**CITY OF KEY WEST, FLORIDA**  
**TABLE 12**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**For the Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Note Payable Governmental Activities</u>	<u>Revenue Bonds (1) Business-type Activities</u>	<u>Note Payable Business-type Activities</u>	<u>Total Outstanding Debt</u>	<u>Percentage of Personal Income (2)</u>	<u>Population (2)</u>	<u>Debt per Capita</u>
2004	\$ 2,205,882	\$ 40,318,837	\$ 4,852,719	\$ 47,377,438	4.72%	26,215	\$ 1,807
2005	\$ 2,058,823	\$ 39,000,687	\$ 4,643,338	\$ 45,702,848	N/A	25,811	\$ 1,771
2006	\$ 1,911,314	\$ 37,697,927	\$ 4,427,054	\$ 44,036,295	7.08%	23,935	\$ 1,840
2007	\$ 1,764,706	\$ 36,393,853	\$ 4,203,640	\$ 42,362,199	7.00%	23,262	\$ 1,821
2008	\$ 1,613,815	\$ 35,091,912	\$ 3,972,861	\$ 40,678,588	5.52%	23,024	\$ 1,767
2009	\$ 1,466,757	\$ 33,787,457	\$ 3,734,474	\$ 38,988,688	4.94%	23,922	\$ 1,630
2010	\$ 1,319,698	\$ 32,536,880	\$ 3,488,227	\$ 37,344,805	4.46%	24,649	\$ 1,515
2011	\$ 1,172,639	\$ 31,140,391	\$ 3,233,862	\$ 35,546,892	4.00%	24,626	\$ 1,443
2012	\$ 1,025,580	\$ 33,767,315	\$ 2,971,112	\$ 37,764,007	4.32%	24,909	\$ 1,516
2013	\$ 878,521	\$ 30,400,830	\$ 2,699,700	\$ 33,979,051	3.96%	25,057	\$ 1,356

(1) Presented net of original issuance discounts and premiums.

(2) Personal income and population is disclosed on table 17.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

# CITY OF KEY WEST, FLORIDA

## TABLE 13

### RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA For the Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population (1) (a)</b>	<b>Net Assessed Value (2) (000's) (b)</b>	<b>Gross General Obligation Bonded Debt (3) (c)</b>	<b>Debt Service Monies Available (d)</b>	<b>Net General Obligation Bonded Debt (c)-(d)</b>	<b>Ratio of Net General Obligation Bonded Debt to Assessed Value (c-d)/(b)</b>	<b>Net General Obligation Bonded Debt Per Capita (c-d)/(a)</b>
2004	26,215	\$ 3,980,558	-	-	-	-	-
2005	25,811	\$ 4,340,402	-	-	-	-	-
2006	23,935	\$ 5,359,035	-	-	-	-	-
2007	23,262	\$ 6,851,177	-	-	-	-	-
2008	23,024	\$ 8,462,277	-	-	-	-	-
2009	23,922	\$ 6,700,857	-	-	-	-	-
2010	24,649	\$ 5,825,320	-	-	-	-	-
2011	24,626	\$ 4,973,458	-	-	-	-	-
2012	24,909	\$ 4,968,809	-	-	-	-	-
2013	25,057	\$ 5,091,609	-	-	-	-	-

- (1) Source: Key West Chamber of Commerce and Bureau of Labor Statistics, University of Florida.  
 (2) Figures are from Table 9 of this Statistical Section.  
 (3) Gross bonded debt amount here excludes revenue bonds.

# CITY OF KEY WEST, FLORIDA

**TABLE 14**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL OBLIGATION BONDED DEBT  
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES (1)  
For the Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Expenditures</b>	<b>Ratio of Debt Service to Total General Expenditures</b>
2004	-	-	-	\$ 32,823,595	-
2005	-	-	-	\$ 35,785,500	-
2006	-	-	-	\$ 36,090,974	-
2007	-	-	-	\$ 37,512,958	-
2008	-	-	-	\$ 37,168,487	-
2009	-	-	-	\$ 46,379,636	-
2010	-	-	-	\$ 36,752,779	-
2011	-	-	-	\$ 38,783,769	-
2012	-	-	-	\$ 39,258,821	-
2013	-	-	-	\$ 39,484,700	-

(1) Gross bonded debt service here excludes debt service on revenue bonds.

(2) General expenditures include General Fund only.

**CITY OF KEY WEST, FLORIDA**  
**TABLE 15**  
**COMPUTATION OF DIRECT AND ESTIMATED OVERLAPPING**  
**GOVERNMENTAL ACTIVITIES DEBT**  
**September 30, 2013**

	<u>Debt Outstanding</u>	<u>Applicable to City of Key West</u>	
		<u>Percentage</u>	<u>Amount</u>
Direct debt:			
City of Key West (1)	\$ 878,521	100.00%	\$ 878,521
Estimated overlapping debt:			
Monroe County, District School Board (2)	<u>47,477,000</u>	27.14% (3)	<u>12,884,468</u>
Total ad valorem tax supported debt	<u>\$ 48,355,521</u>		<u>\$ 13,762,989</u>
Ratios:			
Overall debt to 2013 taxable valuation			0.27%
Overall debt per capita			<u>\$ 549</u>

(1) City of Key West direct debt does not include revenue bonds.

(2) Monroe County School Board debt is as of June 30, 2013, and does not include revenue bonds.

(3) Overlapping debt percentage was determined by a ratio of the assessed value of property subject to taxation in the City of Key West to the total assessed value of property subject to taxation in the overlapping unit.

# CITY OF KEY WEST, FLORIDA

**TABLE 16**  
**REVENUE BOND COVERAGE**  
**SANITARY SEWER SYSTEM FUND**  
**For the Last Ten Fiscal Years**  
**(In Thousands)**

Fiscal Year	Gross Revenues (1)		Cost of Operation and Maintenance (2)		Net Revenue Available for Debt Service		Debt Service Requirements (3)			
							Principal	Interest	Total	Coverage
2004	\$	10,503	\$	7,227	\$	3,276	\$ 885	\$ 1,132	\$ 2,017	1.62
2005	\$	10,499	\$	6,275	\$	4,224	\$ 895	\$ 1,115	\$ 2,010	2.10
2006	\$	12,062	\$	5,409	\$	6,653	\$ 915	\$ 1,110	\$ 2,025	3.29
2007	\$	11,659	\$	5,516	\$	6,143	\$ 935	\$ 1,079	\$ 2,014	3.05
2008	\$	11,886	\$	5,720	\$	6,166	\$ 950	\$ 1,060	\$ 2,010	3.07
2009	\$	11,755	\$	5,722	\$	6,033	\$ 975	\$ 1,039	\$ 2,014	3.00
2010	\$	11,839	\$	6,037	\$	5,802	\$ 1,000	\$ 1,013	\$ 2,013	2.88
2011	\$	12,793	\$	5,833	\$	6,960	\$ 1,030	\$ 985	\$ 2,015	3.45
2012	\$	11,684	\$	5,403	\$	6,281	\$ 1,060	\$ 1,037	\$ 2,097	3.00
2013	\$	12,032	\$	5,648	\$	6,384	\$ 680	\$ 398	\$ 1,078	5.92

- (1) Gross revenues exclude impact fees, connection fees and federal and state grants.
- (2) Total operating expenses exclude payments in lieu of taxes, depreciation and amortization, principal, interest expense, and gain (loss) on the disposal of capital assets.
- (3) Debt service shown above includes principal and interest of refunded bonds only due next year (Series 2012 and 2013).

# CITY OF KEY WEST, FLORIDA

**TABLE 17**  
**DEMOGRAPHIC STATISTICS**  
**For the Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Per Capita Income (1)</b>	<b>Total Personal Income (in thousands) (1)</b>	<b>Median Age (1)</b>	<b>Education Level (2)</b>	<b>Public School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>
2004	26,215	\$ 40,203	\$ 1,003,682	N/A	N/A	N/A	N/A
2005	25,811	\$ N/A	\$ N/A	N/A	N/A	N/A	N/A
2006	23,935	\$ 26,316	\$ 622,310	39	N/A	4,056	2.6%
2007	23,262	\$ 26,316	\$ 604,812	39	N/A	4,038	2.8%
2008	23,024	\$ 32,662	\$ 736,768	43	N/A	3,868	4.3%
2009	23,922	\$ 33,549	\$ 789,426	43	N/A	3,791	6.8%
2010	24,649	\$ 34,174	\$ 838,066	44	N/A	3,792	7.2%
2011	24,626	\$ 36,086	\$ 888,654	42	N/A	3,823	6.2%
2012	24,909	\$ 35,074	\$ 873,658	42	N/A	4,023	4.5%
2013	25,057	\$ 34,277	\$ 858,879	42	N/A	4,148	3.7%

(1) Sources: Key West Chamber of Commerce and Bureau of Labor Statistics, University of Florida.

(2) Source: Monroe County School Board.

(3) Source: U.S. Department of Labor and Employment Security, Bureau of Labor.

N/A: Not available.



**CITY OF KEY WEST, FLORIDA****TABLE 18****PRINCIPAL EMPLOYERS\***

<b>Employer</b>	<b>2013 Employees</b>	<b>2007 Employees</b>
Public Sector:		
US Armed Forces	2,931	1,269
Monroe County Schools	1,047	1,362
Monroe County Sheriff's Office	592	539
Monroe County Government	531	810
City of Key West	464	497
Florida Keys Aqueduct Authority	255	273
Florida Keys Community College	125	225
Keys Energy Services	136	163
Private Sector:		
Ocean Reef Club (500 to 600 year round)	904	1,000
Health Management Associations	688	700
Publix	430	392
Historic Tours of America	300	350
Casa Marina Resort / Reach Resort	275	300
Cheeca Lodge	249	300
Spottswood Properties	184	N/A
First State Bank of the Keys	180	208

\* Employer information including percent of total employment was not available, this data is for Monroe County as no information for the City of Key West was available.

Note: Data prior to 2007 is not available.

**CITY OF KEY WEST, FLORIDA**  
**TABLE 19**  
**PROPERTY VALUE AND CONSTRUCTION**  
**For the Last Ten Fiscal Years**  
**(Dollars in Thousands)**

<b>Fiscal Year</b>	<b>Property Value (1)</b>			<b>Construction (2)</b>	
	<b>Real/ Personal Property Assessed Value</b>	<b>Exemptions Allowed for Real/ Personal Property</b>	<b>Total Net Assessed Value</b>	<b>Number of Permits</b>	<b>Value</b>
2004	\$ 6,612,222	\$ 2,631,664	\$ 3,980,558	6,012	\$ 67,899
2005	\$ 7,070,688	\$ 2,730,286	\$ 4,340,402	5,306	\$ 96,236
2006	\$ 9,595,415	\$ 4,236,380	\$ 5,359,035	7,003	\$ 149,062
2007	\$ 11,078,890	\$ 4,227,713	\$ 6,851,177	7,529	\$ 168,984
2008	\$ 12,671,150	\$ 4,208,873	\$ 8,462,277	4,971	\$ 23,721
2009	\$ 11,882,901	\$ 5,182,044	\$ 6,700,857	4,215	\$ 16,389
2010	\$ 10,719,505	\$ 4,894,185	\$ 5,825,320	4,297	\$ 43,322
2011	\$ 9,075,047	\$ 4,101,589	\$ 4,973,458	4,504	\$ 35,013
2012	\$ 9,187,579	\$ 4,218,770	\$ 4,968,809	5,124	\$ 50,543
2013	\$ 8,555,081	\$ 3,463,472	\$ 5,091,609	5,467	\$ 71,443

(1) Figures here are derived from Table 9 of this Statistical Section.

(2) Source: City of Key West Building and Zoning Department.

**CITY OF KEY WEST, FLORIDA**  
**TABLE 20**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**For the Last Ten Fiscal Years**

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government:										
Building permits issued	6,012	5,306	7,003	7,529	4,971	4,215	4,297	4,504	5,124	5,467
Building inspections performed	11,546	10,169	10,622	12,547	11,275	7,392	8,128	9,606	10,264	9,057
Occupational licenses	9,224	8,824	9,031	8,673	8,990	9,072	8,296	9,778	11,189	8,509
Fire:										
Emergency responses	1,962	2,417	1,925	1,935	2,160	1,206	2,613	2,269	2,274	1,846
Inspections	523	514	986	1,844	1,440	779	2,481	2,430	2,452	2,293
Police:										
Physical arrests	2,053	1,979	1,801	1,101	2,031	2,166	2,075	2,115	2,265	2,010
Parking violations	38,081	49,260	47,036	48,820	48,312	46,893	37,047	30,830	31,172	30,504
Traffic violations	6,501	9,109	6,030	6,409	5,040	4,331	4,313	4,450	3,956	4,065
Cemetery:										
Burials	104	120	123	113	95	86	124	129	87	93
Sewer:										
Average daily flow (millions of gallons per day)	4	5	5	5	4	4	4	4	4	4
Solid Waste:										
Refuse annually tons	59,907	60,799	62,729	55,624	58,296	50,594	45,402	55,624	47,055	41,091
Recycle annual in tons	2,045	2,122	1,894	2,095	2,484	2,517	3,607	2,095	3,656	5,406
Marinas:										
Key West Bight:										
Diesel gallons pumped	364,884	380,446	270,702	429,871	354,378	349,664	315,515	311,677	230,161	128,205
Gas gallons pumped	79,008	123,372	116,432	122,633	79,114	78,872	63,058	106,071	116,461	126,381
Transient customers	1,392	1,297	1,108	1,202	1,436	986	1,011	1,284	1,520	1,454
Ferry terminal:										
Boat landings	*	*	435	431	508	393	479	464	349	358
Passenger disembarkments	*	88,820	81,709	96,796	85,134	148,300	144,617	154,821	146,362	148,738
Diesel gallons pumped	283,471	280,267	153,849	447,104	412,360	137,631	81,807	141,355	117,055	7,255
Garrison Bight:										
Transient customers	*	338	431	586	496	396	362	384	369	354
Mooring field monthly permits	61	66	38	49	49	165	76	332	96	103
Ramp usage	4,059	4,217	5,202	4,951	4,437	4,879	4,142	5,307	4,662	4,806
Cars parked overnight	4,710	5,475	6,238	5,787	5,050	N/A	N/A	N/A	N/A	N/A
Transportation:										
Cruiseship passengers	897,551	1,008,076	859,089	831,063	733,910	862,043	804,845	852,673	832,887	734,349
Sidewalks repaired/replaced	*	37,887	53,196	19,535	36,296	61,719	107,243	56,725	98,590	82,395

\* Data not available.

# CITY OF KEY WEST, FLORIDA

## TABLE 21 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM For the Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fire:										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Engines	6	6	6	6	7	7	7	7	7	7
Aerial	1	1	1	1	1	1	1	1	1	1
Light duty rescue	1	1	1	1	1	1	1	1	1	1
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	100	100	100	98	89	105	95	115	115	115
Parking enforcement units	7	7	7	7	7	7	7	7	7	7
Parks and Recreation:										
Acreage	69.25	69.25	69.25	69.25	69.25	69.25	69.25	69.25	69.25	69.25
Playgrounds	2	2	3	3	3	3	3	3	3	3
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Soccer/football fields	4	4	4	4	4	4	4	4	4	4
Basketball courts	5	5	5	5	5	5	5	5	5	5
Pools	1	1	1	1	1	1	1	1	1	1
Sewer:										
Length of system	58	58	58	58	58	58	58	58	58	58
Plant daily capacity (millions of gallons per day)	10	10	10	10	10	10	10	10	10	10
Storm Water:										
Length of system	11	11	11	11	11	11	11	11	11	12
Key West Bight:										
Slips:										
Transient slips	84	85	90	92	92	92	92	92	92	92
Commercial slips	43	43	43	42	42	42	42	42	42	42
Other slips	22	21	16	15	15	15	15	15	15	15
Fuel capacity (gallons):										
Gasoline	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Diesel	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Leasable retail space: (square feet)	75,723	88,728	88,164	86,938	86,407	86,407	86,407	86,407	86,407	94,059
Ferry Terminal:										
Commercial slips	4	4	4	4	4	4	4	4	4	4
Diesel capacity (gallons)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Garrison Bight:										
Transient slips	66	66	66	66	66	66	66	66	66	66
Live aboard/pleasure	136	154	145	146	148	148	148	148	148	140
Commercial/charter	37	37	40	39	43	43	43	43	43	37
Mooring field	149	149	149	149	149	149	149	149	149	149
Transportation:										
Number of buses	15	15	15	15	17	17	17	16	16	14
Cruise ports	3	3	3	3	3	3	3	3	3	3
Ferry terminals	1	1	1	1	1	1	1	1	1	1

**CITY OF KEY WEST, FLORIDA**  
**TABLE 22**  
**FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM**  
**For the Last Ten Fiscal Years**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City Commission	5	5	5	5	5	5	5	5	5	5
City Management	2	2	2	2	3	3	4	4	6	6
Management services and other	83	84	81	79	82	80	78	76	79	82
Recreation	35	35	35	39	33	31	31	33	33	31
Fire	73	73	73	73	71	71	71	72	72	72
Public Works	33	36	34	36	30	34	29	34	35	46
Police protection	133	137	137	133	122	122	123	123	123	126
Building	23	23	23	26	28	17	17	18	19	19
Capital	11	14	16	14	5	1	1	1	-	-
Roads and Sidewalks	-	-	-	-	3	4	4	4	4	4
Sewer	10	9	9	9	7	4	4	4	4	4
Stormwater	-	2	3	3	2	2	2	2	1	1
Solid waste	34	11	12	12	12	10	10	10	10	10
Recreation marinas	23	25	26	39	44	42	40	35	29	30
Redevelopment	-	6	5	5	6	7	6	-	-	-
Transportation	31	32	40	41	44	44	31	31	28	28
	<u>496</u>	<u>494</u>	<u>501</u>	<u>516</u>	<u>497</u>	<u>477</u>	<u>456</u>	<u>452</u>	<u>448</u>	<u>464</u>
Total	<u>496</u>	<u>494</u>	<u>501</u>	<u>516</u>	<u>497</u>	<u>477</u>	<u>456</u>	<u>452</u>	<u>448</u>	<u>464</u>

